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United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the biennium ended 31 December 2009

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-fifth Session
Supplement No. 5H

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Report of the Board of Auditors

United Nations • New York, 2010

Note

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Letter of transmittal

31 March 2010

In accordance with United Nations Financial Regulation 6.5 and Rule 106.1, I have the honour to transmit the financial report and accounts of the United Nations Human Settlements Programme, including associated trust funds and other related accounts, for the biennium ended 31 December 2009, which I hereby approve.

Copies of these statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Anna Kajumulo **Tibaijuka**
Executive Director
United Nations Human Settlements Programme (UN-Habitat)

The Chair of the Board of Auditors
United Nations Headquarters
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

1. We have audited the accompanying financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2009, which comprise the following: statement of income and expenditure and changes in reserves and fund balances (statement I); statement of assets, liabilities and reserves and fund balances (statement II); cash flow statement (statement III); and supporting statements, schedules and explanatory notes.

Responsibility of management for the financial statements

2. The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards, and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or to error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2009 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

7. Without qualifying our opinion referred to above, we draw attention to note 15 to the financial statements, which showed adjustments of $1.6 million to the value of non-expendable property based on a physical verification carried out by UN-Habitat. Details in support of this amount were not provided, however.

Report on other legal and regulatory requirements

8. Furthermore, in our opinion, the transactions of UN-Habitat that have come to our notice, or which we have checked as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

9. In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UN-Habitat.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2009. The audit was conducted through a field visit to the UN-Habitat regional office in Rio de Janeiro, Brazil, as well as a review of the financial transactions and operations at headquarters in Nairobi.

Modified audit report

The Board issued a modified audit report with one emphasis of matter on the financial statements for the period under review, as reflected in chapter I.

The emphasis of matter relates to note 15 to the financial statements, which showed adjustments of $1.6 million to the value of non-expendable property based on a physical verification carried out by UN-Habitat. Details in support of this amount were not provided, however.

Follow-up to previous recommendations

Of the 17 recommendations made for the biennium 2006-2007, 13 (76 per cent) were fully implemented, 3 (18 per cent) were under implementation and 1 (6 per cent) was not implemented. For the 3 recommendations that were not fully implemented, the implementation depended on the introduction of medium-term projects involving in-depth reforms or in-depth assessment of needs. Regarding the recommendation that had not yet been implemented, there was still no disclosure of the value of expendable property in the financial statements. UN-Habitat did not consider itself in a position to value its expendable property before the implementation of the International Public Sector Accounting Standards (IPSAS).

The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and noted that, of the four recommendations that had not been implemented, three were first made in 2006-2007 while the other was first made in 2004-2005.

Financial overview

Total income for the period under review amounted to $311.6 million, while total expenditure amounted to $296.4 million, giving an excess of income over expenditure of $15.2 million. Compared with the previous financial period, income rose by 7.4 per cent, or $21.6 million; expenditure increased by 18.4 per cent, or $46 million.

Progress towards the implementation of International Public Sector Accounting Standards

The efforts of UN-Habitat to implement IPSAS and to adopt a new enterprise resources planning system did not explicitly include migrating the specific functionalities of the financial information technology system used in Nairobi (Crystal).

Presentation of financial statements

The UN-Habitat statement of income and expenditure did not include resources from the United Nations regular budget. The Board considered that those resources should be incorporated in the statement of income and expenditure of UN-Habitat.

Statement of income and expenditure

The control of the access rights of approving and certifying officers to the Integrated Management Information System (IMIS) software could be reinforced.

Education grants were treated as advances paid to staff, whereas they should have been considered to be payments made to staff and entered as obligations for the period.

Statement of assets, liabilities, reserves and fund balances

There was no dedicated note stating the exact policy regarding provisions for delays in the collection of outstanding contributions.

End-of-service liabilities, including after-service health insurance

The financial statements for the period under review reflected end-of-service and post-retirement liabilities amounting to $12.8 million. As indicated in note 13 to the financial statements, of this amount, $8.2 million represented after-service health insurance, $2.0 million related to unused vacation leave credits and $2.7 million represented repatriation benefits. The funding of the organization's future commitments to its staff had still not been decided upon, however. The annual leave liability calculated through the actuarial valuation was also not compliant with International Public Sector Accounting Standard 25.

Results-based management and budgeting

While the Board noted that efforts had been made to quantify indicators of achievement, UN-Habitat had been unable to provide evidence in support of the results disclosed in the report on programme completion.

Treasury management

In a regional office, there were instances of failure to comply with the regulations on cash withdrawals and on the signing of banking documents.

Procurement and contract management

Officers had ordered goods or services for values in excess of their delegated procurement authority. The total amount of those orders was $1.4 million. Additionally, the majority of suppliers in the vendor database had not been formally registered, and some of them had not been approached for four years. This reflected shortcomings in database updates.

Non-expendable property management

In the absence of full documentation regarding prior-period adjustments of $1,599,000, as disclosed in note 15 to the financial statements, the accuracy of the non-expendable property, amounting to $9,595,000 as at 31 December 2009, could not be fully verified.

Information technology

The recommendation made in the previous biennium that manual operations be reduced to a minimum when preparing the financial statements has been applied. A few improvements still had to be made in the tool's configuration and in the description of the tests to be carried out. There were also numerous manual journal voucher entries, which could weaken internal control.

Internal audit findings

The Office of Internal Oversight Services (OIOS) audited the financial management of UN-Habitat and found that there was no plan for monitoring and checking the achievement of the organization's objectives during the biennium.

OIOS also conducted an audit of Water and Sanitation trust fund activities. It considered that centralization did not adequately support operational needs at project sites and that it increased the risk of delays in implementing activities, causing the disengagement of main local actors.

Disclosures by management

Management has made certain disclosures in section C of the present report as regards write-offs of cash losses, receivables and property; ex gratia payments; and cases of fraud and presumptive fraud.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations are that UN-Habitat:

(a) **Continue to prepare for the implementation of IPSAS in collaboration with the United Nations Office at Nairobi, and specify its needs for the migration of the Crystal software to the future enterprise resource planning system of the Secretariat (para. 39);**

(b) **Consider preparing financial statements, in collaboration with United Nations Headquarters, that include the activities funded by the regular budget of the United Nations (para. 48 (b));**

(c) **Together with the Administration at Headquarters, revise its accounting treatment of education grants (para. 64);**

(d) **Develop a funding plan for end-of-service liabilities, for consideration and approval by its Governing Council (para. 75);**

(e) **Ensure that all indicators of achievement are supported by documentary evidence (para. 96);**

(f) **Comply with rule 104.8 (a) of the Financial Regulations and Rules of the United Nations regarding petty cash transactions (para. 99);**

(g) **Extend the inventory management system to the liaison and outposted offices (para. 123).**

The Board's other recommendations appear in paragraphs 13, 32, 48 (a), 51, 56, 67, 91, 102, 108, 113, 116, 133, 137 and 140.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat) and reviewed its operations for the biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and that it plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion on whether the financial statements presented fairly the financial position of UN-Habitat as at 31 December 2009 and the results of its operations and cash flows for the period, in accordance with the United Nations system accounting standards. This included an assessment of whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a sample verification of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UN-Habitat operations under financial regulation 7.5. This requires the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UN-Habitat operations. The General Assembly had also requested the Board to follow up and report on previous recommendations. These matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to UN-Habitat in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with the Administration. There were two management letters for the period under review.

5. The Board coordinates with the Office of Internal Oversight Services (OIOS) in the planning of its audits to avoid duplication of effort and to determine the extent to which reliance can be placed on the latter's work.

6. Where observations in the present report refer to specific locations, such observations apply only to the locations specified. It is not implied that they are or are not applicable to other locations.

7. The present report covers matters that, in the Board's view, should be brought to the attention of the General Assembly and the UN-Habitat Governing Council, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions (see A/63/474). In particular, the Advisory Committee has requested the Board to:

(a) Strengthen its validation process with a view to improving its ability to evaluate results and the impact of the efforts of UN-Habitat to implement the Board's recommendations;

(b) Continue to closely monitor the application of the International Public Sector Accounting Standards (IPSAS), as well as the preparatory process for the enterprise resource planning system and IPSAS;

(c) Follow up on the incomplete risk-based methodological framework of the Internal Audit Division of OIOS, as well as the low rate of completion of planned assignments;

(d) Continue to follow up on monitoring of the audit process and on the regular reviews by United Nations entities of nationally executed projects;

(e) Provide guidance on implementing internal control procedures for non-expendable property.

8. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the present report.

9. The recommendations contained herein do not address steps which UN-Habitat may wish to consider in respect of officials on account of instances of non-compliance with its financial regulations and rules, administrative instructions and other related directives.

B. Findings and recommendations

1. Follow-up to previous recommendations

10. Of the 17 recommendations made for the biennium 2006-2007, 13 (76 per cent) had been implemented, 3 (18 per cent) had been partially implemented and 1 (6 per cent) had not been implemented. Details of the status of implementation of these recommendations are shown in the annex to the present report.

Recommendations under implementation

11. For the three recommendations that were under implementation, the Board noted that the implementation depended on the introduction of medium-term projects involving in-depth reforms and assessment of needs (funding of after-service and post-retirement liabilities, design of a training plan for staff), or was dependent on ongoing upgrading of computerized databases (to reduce manual processing in the preparation of the financial statements). These matters are further discussed in the relevant sections of the present report.

12. As regards the establishment of an annual training plan for staff, as recommended in the Board's previous report (see A/63/5/Add.8, chap. II, para. 73), UN-Habitat was currently implementing this recommendation as part of its medium term strategic and institutional plan, which required a training assessment and strategy for all staff.

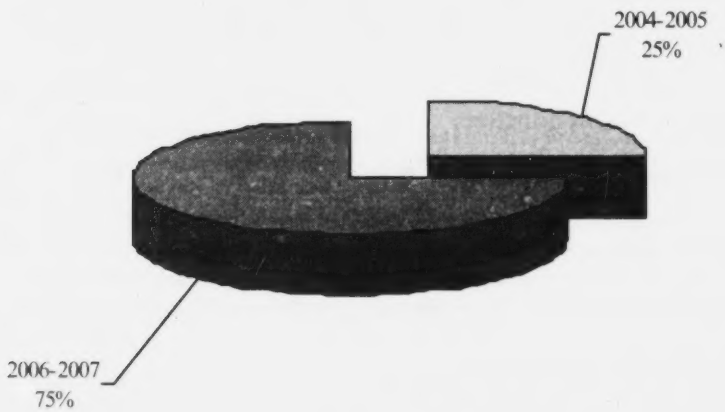
13. **UN-Habitat agreed with the Board's reiterated recommendation that it cooperate with the United Nations Office at Nairobi to establish an annual training plan for its own staff.**

Recommendation not implemented

14. The Board recommended in paragraph 18 of its previous report that UN-Habitat conduct an inventory of expendable items as at the end of the biennium and account for and disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards. The Board noted that there was no disclosure of the value of expendable property in the financial statements. Consequently, the Board has reiterated its previous recommendation in the corresponding section of the present report.

15. In response to a request of the Advisory Committee on Administrative and Budgetary Questions (see A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated in figure II.I the financial periods in which such recommendations were first made.

Figure II.I
Ageing of recommendations for the previous biennium that were under implementation or not implemented



2. General presentation

16. The General Assembly, in its resolution 56/206, decided to transform the Commission on Human Settlements and its secretariat, the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, with effect from 1 January 2002, into the United Nations Human Settlements Programme (UN-Habitat).

17. The Governing Council, made up of 58 member States elected by the Economic and Social Council, constitutes the intergovernmental management structure of UN-Habitat. It meets every two years and reports to the General Assembly through the Economic and Social Council. It is in charge of the general policy, management and supervision of UN-Habitat. More specifically, it is responsible for reviewing the biennial work programme of UN-Habitat, the budget for the United Nations Habitat and Human Settlements Foundation and the operational activities carried out by UN-Habitat.

18. The mandate of UN-Habitat is to promote socially and environmentally sustainable housing for all. It has recently been entrusted with several important mandates, in keeping with the Millennium Development Goals, with a view to significantly improving by 2020 the living conditions of at least 100 million people living in precarious housing and reducing by half the share of the population without access to water and wastewater treatment by 2015.

19. As at 31 December 2009, UN-Habitat employed 373 staff, comprising 224 international Professionals, 23 National Professional Officers and 126 General Service staff.

20. Although they constitute distinct units, the United Nations Office at Nairobi and UN-Habitat are interdependent organizations. The United Nations Office at Nairobi provides UN-Habitat with administrative and financial services. It is for this reason that the majority of recommendations made to UN-Habitat should be implemented in collaboration with the United Nations Office at Nairobi.

21. The United Nations Habitat and Human Settlements Foundation was established in 1974 by the General Assembly to help Member States mobilize resources for their housing and infrastructure programmes. In 1977, following the first United Nations Conference on Human Settlements, held in Vancouver, Canada, in 1976, the Foundation was merged with the Department of Housing, Building and Planning of the Department of Social and Economic Affairs of the Secretariat to form the United Nations Centre for Human Settlements. The Foundation evolved into a repository for voluntary contributions to UN-Habitat.

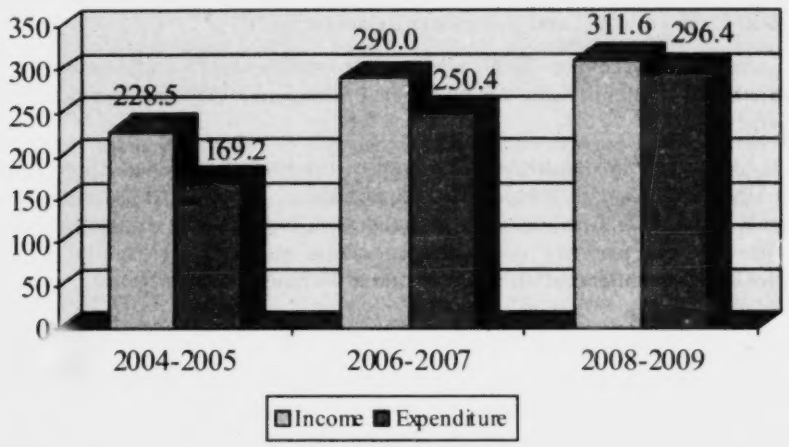
22. The objective of the Foundation is to work with Member States and UN-Habitat partners to facilitate the mobilization of four types of resources: domestic capital from banks and private investors at the country level; savings by the urban poor through appropriate community-level organizations; public investment from municipal and central Governments; and investment from international financial institutions.

23. For the biennium ended 31 December 2009, UN-Habitat received voluntary contributions for its Foundation activities of $125.3 million (for a total voluntary contribution amount of $298.3 million), as compared with $136.3 million for the biennium ended 31 December 2007, a decrease of 8.1 per cent.

3. Financial overview

24. Total income for the period under review amounted to $311.6 million, while total expenditure amounted to $296.4 million, giving an excess of income over expenditure before adjustments of $15.2 million. Compared with the previous financial period, income rose by 7.4 per cent, or $21.6 million. Expenditure increased by 18.4 per cent, or $46 million. Comparative income and expenditure for the financial periods 2004-2005, 2006-2007 and 2008-2009 are shown in Figure II.II.

Figure II.II
Comparative income and expenditure
(Millions of United States dollars)



Source: UN-Habitat financial statements.

25. The financial situation of UN-Habitat appeared healthy. The main indicators showed a high level of liquidity.

Table II.1
Ratios of key financial indicators

Ratio	*2005*	*2007*	*2009*	*Dividend and ratio divider for 2009 (millions of United State dollars)*
Voluntary contributions receivable/total assets[a]	0.000	0.008	0.007	1 795/250 036
Cash/total assets[b]	0.590	0.650	0.840	209 614/250 036
Cash/total liabilities[c]	0.970	1.170	1.800	209 614/116 409
Unliquidated obligations/total liabilities[d]	0.440	0.390	0.610	71 219/116 409

[a] A low indicator reflects a healthy financial position.
[b] A high indicator reflects a healthy financial position.
[c] A low indicator means that insufficient cash is available to settle debts.
[d] A low indicator is a positive indication that obligations are being liquidated.

26. As at 31 December 2009, the level of cash held was 20.4 per cent higher than as at 31 December 2007. Between the two financial periods, the cash position, or the sum of cash and term deposits and the cash pool, increased by $35.5 million (from $174.1 million to $209.6 million).

27. The high level of liquidity was partially explained by the financial rules that govern the expenditure of general trust funds and technical cooperation trust funds. By virtue of article III.A.1 of administrative instruction ST/AI/284 and article IV.B of administrative instruction ST/AI/285, expenditure can be incurred on a trust fund only if the funds required to pay the expenditure have previously been made available. As a result, UN-Habitat necessarily and permanently held significant available cash owing to the delay between the cashing of contributions and related expenditure.

28. Table II.2 compares changes in the cash position with changes in voluntary contributions and expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009.

Table II.2
Compared evolution in contributions, expenditure and cash
(Millions of United States dollars)

	2004-2005	*2006-2007*		*2008-2009*	
Line items	*Amount*	*Amount*	*Variance (percentage)*	*Amount*	*Variance (percentage)*
Voluntary contributions	196.5	257.9	31.2	298.3	15.7
Expenditure	169.3	250.4	47.9	296.4	18.4
Cash	129.0	174.1	35.0	209.6	20.4

Source: UN-Habitat financial statements.

29. Given the high and increasing level of cash available at the end of the biennium, the Board had recommended in its previous report that UN-Habitat regularly monitor its cash balance to ensure that it did not reflect delays in the implementation of the projects (see A/63/5/Add.8, para. 34).

30. UN-Habitat explained that the cash situation was the result of the increased number of donors providing their funding in advance for multi-year activities and was not an indication of delays in project execution. UN-Habitat also explained that it monitored its cash balance on a regular basis by reviewing monthly cash flow statements and thus had instituted the practice recommended by the Board.

31. The Board is of the view that the implementation of a new enterprise resource planning system, as decided by the United Nations, would be an opportunity to set up indicators to permanently monitor the cash situation in view of the inflow of contributions and the outflow of cash as projects advance.

32. **UN-Habitat agreed with the Board's recommendation that it take advantage of the installation of the new enterprise resource planning system to set up indicators to permanently monitor its liquidity levels.**

4. Progress towards the implementation of the International Public Sector Accounting Standards

33. In accordance with General Assembly resolution 61/233 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions (A/61/350), the Board again performed a gap analysis relating to the implementation of IPSAS as well as new or upgraded enterprise resource planning systems. The Advisory Committee had commented on the desirability of such systems, taking fully into account the detailed requirements of IPSAS.

34. Relying on the task force established to prepare for the adoption of IPSAS by the United Nations system, UN-Habitat had not yet, at the end of the biennium 2008-2009, finalized any plan or adopted a budget to address its specific needs with respect to IPSAS and the related issue of the enterprise resource planning system.

35. Despite the lack of a specific plan, UN-Habitat was involved in the preparatory measures for the implementation of IPSAS, as the Board had recommended in its previous report. Training in IPSAS was already being provided in the form of electronic modules, which were to be followed by courses organized in various venues, including Nairobi.

36. The Board noted, however, that the information system used by United Nations services in Nairobi (Crystal) had specific functionalities that were not included in the Integrated Management Information System (IMIS) used by the United Nations Secretariat. Considering that IMIS was to be replaced by the new enterprise resource planning system of the Secretariat (Umoja), the Board was concerned that UN-Habitat had not dealt with the maintenance of Crystal's specific functionalities in the new information technology structure. That might negatively affect the implementation of IPSAS at UN-Habitat and the adequacy of Umoja to the latter's needs.

37. UN-Habitat replied that, together with the United Nations Office at Nairobi, it was actively involved in the preparation for Umoja. UN-Habitat believed that, since it was based on a fully proven and widely used information technology solution, Umoja was expected to contain multiple reporting functionalities that would cover the needs of UN-Habitat. Consequently, there was no risk that functionalities available in Crystal would not be available in Umoja. Any United-Nations-specific statutory reporting requirements were expected to be taken into account at the end of the design phase and would be accounted for in configuration and testing.

38. The Board is of the view that the recognized or expected performance of Umoja's core software alone is no indication of its ability to meet specific needs. Failure to properly examine the need for a migration of Crystal is hazardous.

39. **The Board recommends that UN-Habitat: (a) continue to prepare the implementation of IPSAS in collaboration with the United Nations Office at Nairobi; and (b) specify its needs for the migration of the Crystal software to the future enterprise resource planning system of the Secretariat (Umoja).**

5. Presentation of financial statements

Allocations from the United Nations regular budget

40. As indicated in note 16 to the financial statements, resources from the United Nations regular budget to cover certain UN-Habitat expenditure amounted to $24.0 million, or 7.7 per cent of UN-Habitat income for the financial period 2008-2009.

41. In its previous report, the Board had noted that the allocations from the United Nations regular budget and the related expenditure, although representing an integral part of the activities of UN-Habitat, were not included in the UN-Habitat financial statements (see A/63/5/Add.8, chap. II, paras. 46-51). The Board had therefore recommended that UN-Habitat disclose in its financial statements its resources from the United Nations regular budget and the related expenditure for the biennium 2008-2009.

42. Following this recommendation, UN-Habitat disclosed the resources from the regular budget and the related expenditure in note 16 to its financial statements for the biennium 2008-2009. Strictly speaking, the recommendation has therefore been implemented.

43. Nevertheless, the Board noted that budgets examined by the Governing Council of UN-Habitat showed a total amount of resources that included those from the United Nations regular budget, while UN-Habitat financial statements reported a total amount of resources that did not include those from the regular budget. There was a discrepancy between the disclosure of the resources to the Governing Council and the report on their use, as established by the financial statements.

44. According to paragraph 5 (iii) of the United Nations system accounting standards (revision VIII), financial statements should disclose all items which are material enough to affect evaluations or decisions and all material information which is necessary to make the statements clear and understandable. Paragraph 7 of those standards states that the objective of financial statements is to provide information about the financial position and performance of the organization. Additionally, paragraph 32 specifies that income for a financial period is defined in the United Nations system as money or money equivalent received or accrued during the financial period which increases existing net assets. The following are the main types of income received by the organizations: (a) contributions assessed under regular budgets or special accounts; (b) voluntary contributions formally pledged in cash or in kind; (c) voluntary contributions received under arrangements other than (b) above; and (d) other/miscellaneous income.

45. UN-Habitat justified its decision by stating that it had no mandate to include the regular budget in its financial statements.

46. The Board is nevertheless of the view that, unless explicitly restricted to a limited scope, financial statements ought to give an exhaustive view of the financial situation of the reporting entity, as also prescribed by the provisions of the United Nations system accounting standards quoted above. UN-Habitat does not need a specific mandate to include part of its activities in its financial statements. It is the responsibility of UN-Habitat to prepare financial statements that reflect the entirety of its operations. Unless it is made clear that these financial statements only reflect part of the activities of UN-Habitat, they are considered incomplete.

47. The optimal solution would be for UN-Habitat to present financial statements that include activities funded under both the regular budget and voluntary contributions. Another solution would be to revise the title of the current financial statements and the notes thereto to explicitly reflect that they cover only the activities funded under voluntary contributions.

48. **UN-Habitat agreed with the Board's recommendation that it: (a) revise the title of its financial statements and the notes thereto to reflect that their scope was limited to activities funded under voluntary contributions; and (b) consider preparing financial statements, in collaboration with United Nations Headquarters, that included the activities funded by the regular budget of the United Nations.**

6. Statement of income and expenditure

Funds received under inter-organizational arrangements

49. The Board noted that, in the statement of income and expenditure and changes in reserves and fund balances (statement I), the amount of funds received under inter-organizational arrangements was not derived from the general ledger, but rather deducted from other line items of the financial statements.

50. The Board is of the view that this disconnect between basic items of the financial statements and the general items limits the audit of the underlying transactions and increases the risk of misstatements or errors in the financial statements.

51. **UN-Habitat agreed with the Board's recommendation that it ensure that funds received under inter-organizational arrangements were derived directly from the general ledger.**

Internal control and access rights

52. Access rights to IMIS are managed by the Information and Communications Technology Service of the United Nations Office at Nairobi on behalf of UN-Habitat.

53. Rule 105.6 of the Financial Regulations and Rules of the United Nations states that an approving officer cannot exercise the certifying function assigned in accordance with rule 105.5 or the bank signatory functions assigned in accordance with rule 104.5. To ensure that these functions cannot technically be performed by the same person, the Budget and Financial Management Service of the United Nations Office at Nairobi performs a biannual review of IMIS access rights. Despite this review, the Board found that one staff member held both approving and certifying functions.

54. Moreover, the review of IMIS access rights was limited to checking that the officer concerned did not hold both of the incompatible functions mentioned above. The review process did not include checking the access rights of users who had left the organization or changed functions. As at the audit date, 13 employees still held IMIS access rights even though they had left the organization more than six months earlier.

55. Lastly, some staff had several user identifications for logging into the IMIS application. This impedes proper traceability of transactions and limits the accountability of users.

56. **UN-Habitat agreed with the Board's recommendation that it ensure, in liaison with the United Nations Office at Nairobi, that: (a) the review of access rights includes the detection of users who have left the organization or changed function; and (b) that no employee can have more than one user identification for logging into the IMIS data management system.**

Education grants

57. In accordance with staff regulation 3.2 (see ST/SGB/2009/6), United Nations staff are entitled to an education grant. The amount of this allowance per scholastic year for each child shall be 75 per cent of the admissible educational expenses actually incurred, subject to a maximum grant as approved by the General Assembly.

58. As per note 2 (m) (vi) to the financial statements of UN-Habitat, for the purposes of the balance sheet statements, only those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled.

59. The treatment of the expenditure is problematic. As explained in note 2 (m) (vi) to the financial statements, the amounts of education grant paid out to staff members, generally during the summer preceding a given scholastic year, are first recorded as advances (accounts receivable). It is only when staff members produce the proof of the entitlement that the advances are settled and the expenditure recognized; this occurs in the summer following the scholastic year. Consequently, considering the timing of the process, the amount of education grant expenditure recorded in the accounts of the biennium 2008-2009 does not correspond to the amounts actually paid during the biennium. Rather, it corresponds to the amounts paid in 2007 and 2008, respectively, for the 2006/07 and 2007/08 scholastic years. The education grants paid to staff in 2009 ($2.46 million) will be recorded as expenditure of the biennium 2010-2011.

60. According to paragraph 38 of the United Nations system accounting standards, expenditure for a financial period is the sum of the disbursements and valid unliquidated obligations made against the appropriation/allocation of the period. In addition, neither the United Nations system accounting standards nor the Financial Rules and Regulations contain any other specific provisions allowing for disbursements made against an appropriation not to be considered as expenditure. There is little mention of the notion of advance, let alone a definition of the term, in the financial and accounting rules applicable to the Organization. Based on the above, the Board considers that the United Nations system accounting standards provide limited grounds to support the accounting treatment set out in note 2 (m) (vi) to the financial statements.

61. The Administration argued that paragraph 38 of the United Nations system accounting standards should not be read as implying that all disbursements should be recognized as expenditure. It further stated that, as provided in the administrative instruction of the Secretary-General on education grants (ST/AI/2004/2), education grants are considered as advances when paid before the end of the scholastic year.

62. This argument fails to explain why advances to staff members do not fall under the category of disbursements made against the appropriation of the period, as set out in paragraph 38 of the accounting standards. These advances do not amount to loans made to staff on a discretionary basis, which can be practised in some entities; such transactions would definitely be treated as accounts receivable. Education grants are legal entitlements supported by relevant appropriations in the budget of the United Nations.

63. In addition, considering the conflicting interpretations of the accounting standards on this matter and the lack of a definition of an advance in the standards, the Board turned to the fundamental accounting principle of substance over form recognized in paragraph 5 (ii) of the United Nations system accounting standards, according to which the economic reality of a transaction prevails over its legal nature. In this case, even though education grants are indeed to be considered as advances in accordance with the above-mentioned administrative instruction of the Secretary-General, they are actually payments made to their final beneficiaries and, in the absence of any specific accounting standard on the matter, constitute expenses of the Organization.

64. **The Board recommends that UN-Habitat, together with the United Nations Administration at Headquarters, revise its accounting treatment of education grants.**

7. Statement of assets, liabilities, reserves and fund balances

Provisions for delays in the collection of outstanding contributions

65. Paragraph 34 of the United Nations system accounting standards states that voluntary contributions formally pledged represent a good-faith commitment of the contributor for the period and/or programme to which they relate. Such income should accordingly be recognized in that period. However, in the interests of prudent financial management, provision may be made as appropriate where the collection of the income so recognized is considered doubtful. In specific cases, where the pledge is deemed uncollectible, write-off action will be required. Alternatively, the income may be recognized only when funds are received.

66. During its review of the financial statements of UN-Habitat, the Board pointed out that there was no dedicated note stating the exact policy of UN-Habitat regarding provisions for delays in the collection of outstanding contributions.

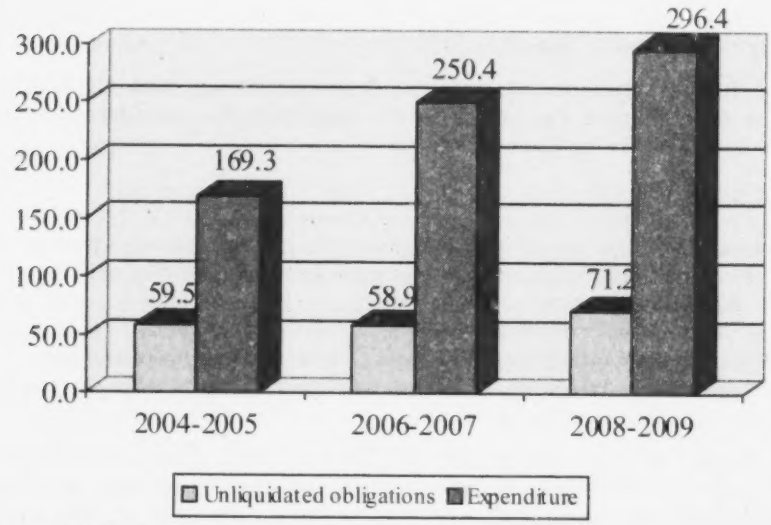
67. **UN-Habitat agreed with the Board's recommendation that it disclose in a note the policy regarding provisions for delays in the collection of outstanding contributions.**

Unliquidated obligations

68. Unliquidated obligations as at 31 December 2009 amounted to $71.2 million, representing 24 per cent of the total expenditure and an increase of 20.9 per cent from $58.9 million as at 31 December 2007.

69. The growth in unliquidated obligations was commensurate with that of expenditure, which increased by 18.4 per cent, from $250.4 million for the previous biennium to $296.4 million. Figure II.III shows unliquidated obligations against total expenditure for the bienniums 2004-2005, 2006-2007 and 2008-2009.

Figure II.III
Unliquidated obligations and expenditure
(Millions of United States dollars)



Source: UN-Habitat financial statements.

8. End-of-service liabilities (including after-service health insurance)

70. The financial statements for the period under review reflected end-of-service and post-retirement liabilities amounting to $12.8 million. As indicated in note 13 to the financial statements, of this amount, $8.2 million represented after-service health insurance, $2.0 million related to unused vacation leave credits and $2.7 million represented repatriation benefits.

Funding policy

71. In its previous report (see A/63/5/Add.8, para. 45), the Board recommended that UN-Habitat set up a funding plan for end-of-service liabilities. In its concise summary report for the biennium 2006-2007 (A/63/169), the Board emphasized that the recording of end-of-service and post-retirement liabilities in financial statements called for a comprehensive and effective funding plan.

72. The Board noted, however, that UN-Habitat had not formally documented funding plans for after-service health insurance and unused vacation days for consideration by the Governing Council of UN-Habitat. A funding plan would include a comprehensive and effective funding strategy that considered the type of liabilities to be funded and the type of investments to be made for those liabilities. The funding plan might also need to consider the appropriateness of ring-fencing the investments set aside for such liabilities.

73. The Board was concerned that, where the end-of-service and post-retirement liabilities were not supported by an approved funding plan, there was a risk that UN-Habitat might not be in a financial position to fully meet its obligations with regard to end-of-service liabilities and post-retirement benefits as and when those liabilities became due.

74. The Board was informed by UN-Habitat that funding of end-of-service and post-retirement liabilities would be discussed at the twenty-third session of its Governing Council, due to be held in 2011.

75. **The Board reiterates its previous recommendation that UN-Habitat develop a funding plan for end-of-service liabilities for consideration and approval by its Governing Council.**

Discount rate

76. A discount rate is an interest rate used in common financial practice to estimate the current value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the end-of-service and post-retirement liabilities are composed of benefits that will be paid out by UN-Habitat to its retired staff in the future, IPSAS, like most other accounting frameworks, require that these amounts be "discounted" so that the reporting entity takes the current value of the future benefits as an estimate for its liability.

77. By design, the higher the discount rate, the lower the current value of future amounts, and vice-versa. For example, the actuarial report states that, all things being equal, lowering the discount rate used by UN-Habitat by 1 per cent would result in a liability increase of 23 per cent.

78. International Public Sector Accounting Standard 25, which serves as a reference for the actuarial methodology used to assess the after-service health insurance liability in accordance with General Assembly resolution 61/264, does not prescribe any particular discount rate. It states, however, in paragraph 91, that the rate used to discount post-employment benefit obligations (both funded and unfunded) should reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money should be consistent with the currency and estimated term of the post-employment benefit obligations. It further specifies, in paragraph 94, that an entity makes a judgement whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high-quality corporate bonds or by another financial instrument. In some jurisdictions, market yields at the reporting date on government bonds will provide the best approximation of the time value of money. However, there may be jurisdictions in which this is not the case, for example, jurisdictions where there is no deep market in government bonds, or in which market yields at the reporting date on government bonds do not reflect the

time value of money. In such cases, the reporting entity determines the rate by another method, such as by reference to market yields on high quality corporate bonds.

79. Like most of the methodological elements used for the actuarial valuation of the after-service health insurance liability, the discount rate was selected by the United Nations on behalf of all of the entities contributing to the same health plans and for which the United Nations coordinated the valuation exercise.

80. According to the United Nations, the aim of selecting a discount rate when valuing end-of-service and post-retirement liabilities benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the necessary future cash flow to pay the accrued benefits when due. The United Nations has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flow that match the timing and amount of expected benefit payments. The rates of return used as a reference by the United Nations have been those of high-quality, long-term corporate bonds.

81. The Board acknowledges that this methodology is compliant with standard 25, yet makes the following comments for consideration in the discussion on funding these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates, which have generally tended to decrease over the recent period. The increase is due to the decision of the United Nations not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Considering the uncertainties on the prescriptions of IPSAS (standard 25 had not been adopted yet), the United Nations conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent at the time, the same rate would have then decreased instead of increased for the last valuation, which would have been consistent with the economic environment;

(b) The discount rate is but one example of the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the accounting standards, this valuation is only an estimate of the actual value of the liability. Consequently, the Executive Board and the General Assembly may wish to not regard this as the absolute reference. Valuations based on standards other than accounting ones may yield different results. In this regard, the Board wishes to underline that a financial valuation of the funding needs (or "funding valuation") would result in a different value than the accounting valuation, which by design is generally more conservative.

Annual leave actuarial valuation

82. Accrued liabilities represent the present value of benefits (excluding retiree contributions) earned between the date of recruitment of United Nations staff and the date of the actuarial evaluation. They comprise benefits linked to the status of international staff, including financial compensation for unused vacation days and repatriation benefits. The leave liability of UN-Habitat amounted to $1.97 million as at 31 December 2009.

83. Whereas the annual leave liability and repatriation grants had previously been estimated using the current-cost methodology, UN-Habitat changed its accounting policy and calculated the annual leave liability based on an actuarial valuation performed by an external consultant. The Board noted that the external consultant indicated in its report that it had been requested by UN-Habitat to provide an actuarial valuation of after-service health insurance, repatriation and annual leave benefits for the purpose of reporting under International Public Sector Accounting Standard 25.

84. The Board reviewed the actuarial valuation report, where the liability amounts for after-service health insurance, repatriation benefits and annual leave were determined by the actuary. As far as the annual leave liability is concerned, the assumptions detailed in the actuarial valuation report were as follows:

(a) Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for the purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days. This benefit is referred to as annual leave;

(b) Annual leave projection: the annual leave balance upon separation from service was projected to be equal to a staff member's current annual leave balance as of 1 January 2010 plus additional days of annual leave earned and not taken after 1 January 2010;

(c) The obligations were valued based on a discount rate of 6 per cent as at 31 December 2009.

85. UN-Habitat justified the change in the valuation method for annual leave by referring to IPSAS 25, although no mention of IPSAS is made in the financial statements. This change is considered by UN-Habitat as an enhancement of the financial information, which, while compliant with the United Nations system accounting standards, is a step towards the full implementation of IPSAS.

86. The Board took this fact into consideration and checked whether this new valuation method would be compliant with IPSAS once it is fully applicable to UN-Habitat.

87. IPSAS 25 makes an important distinction between short-term and long-term benefits. UN-Habitat applied the actuarial valuation method to the leave liability based on the assumption that annual leave is a long-term benefit.

88. IPSAS 25 defines short-term employee benefits as benefits (other than termination benefits) which fall due wholly within 12 months after the end of the period in which the employees render the related service. Furthermore, paragraph 11 of IPSAS 25 provides examples of items that are classified as short-term benefits. The examples include short-term compensated absences (such as annual leave and paid sick leave) where the absences are expected to occur within 12 months after the period in which the employees render the related employee service. The fact that, under the United Nations staff rules, employees may accumulate unused leave days from one period to the next does not in itself make annual leave a long-term benefit, nor does the fact that employees are entitled to a cash payment for unused leave days upon ceasing service. IPSAS 25 (paras. 14-19) provides for these cases, which are classified under short-term benefits.

89. In addition, paragraph 12 of IPSAS 25 states that accounting for short-term employee benefits is generally straightforward because no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover, short-term employee benefit obligations are measured on an undiscounted basis.

90. Therefore, the Board is of the view that the annual leave liability of $1.97 million calculated through the actuarial valuation is not compliant with IPSAS 25, as it (a) includes future days to be accumulated and (b) is a discounted amount.

91. **The Board recommends that UN-Habitat consider revising its policy on the valuation of leave liability in its implementation of IPSAS.**

9. Results-based management and budgeting

92. Results-based budgeting is a process in which (a) programme formulation revolves around a set of predetermined objectives and expected results, (b) expected results are derived from and linked to outputs and (c) actual performance is measured by objectives and performance indicators. It uses a logical framework devised to ensure that expected results are specific, measurable, attainable, realistic and time-bound.

93. The Board reviewed the programme budget of UN-Habitat for the biennium 2008-2009 in respect of the results-based-budgeting process.

94. The structure of the programme budget followed a logical framework defined by the Secretary-General's bulletin on regulations and rules governing programme planning, the programme aspects of the budget, the monitoring of implementation and the methods of evaluation (ST/SGB/2000/8). This framework included objectives, expected outcomes, indicators of achievement and external factors.

95. While the formal presentation of the logical framework had been respected, the Board concluded that there was no means of verifying some of the achievements mentioned. Not all of the figures in the performance report were backed up by documentary evidence, and the items of documentary evidence were not centralized in a database.

96. **UN-Habitat agreed with the Board's recommendation that it ensure that all indicators of achievement are supported by documentary evidence.**

10. Treasury management

97. The Board audited the financial management of the UN-Habitat Regional Office for Latin America and the Caribbean in Rio de Janeiro, Brazil.

Authorization to handle cash

98. Petty cash cheques were made payable and withdrawn by the official driver for deposit in the petty cash fund. This solution was adopted as a security measure; however, the official driver was not the designated custodian of the petty cash fund. This was contrary to financial rule 104.8 (a), which stipulates that petty cash advances should be made to authorized staff members.

99. **UN-Habitat agreed with the Board's recommendation that it comply with financial rule 104.8 (a) regarding petty cash transactions.**

Bank signatories

100. Financial rule 104.5 states that bank signatory authority and responsibility is assigned on a personal basis and cannot be delegated.

101. In order to corroborate signatures on cheques, the Board requested a sample of the signatures from the bank. The bank was unable to furnish an official document confirming the signatures of the office's designated signatories.

102. **UN-Habitat agreed with the Board's recommendation that it systematically obtain from the banks an updated list of persons with joint signatory authority for cheques.**

11. Procurement and contract management

Delegation of authority

103. Procurement and contract management services are provided by the Procurement, Travel and Shipping Section of the United Nations Office at Nairobi on behalf of UN-Habitat.

104. Financial regulation 5.12 states that procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. Procurement actions include identifying a need, specifying the requirements to fulfil the need, identifying potential suppliers, calling for bids and proposals, evaluating bids and proposals, awarding contracts and purchase orders, tracking progress, ensuring supplier compliance, accepting and inspecting delivery, paying the suppliers and managing the assets procured or the contracted service.

105. In 2005, authority was delegated to the Director of the Division of Administrative Services of the United Nations Office at Nairobi to sign contracts and order goods and services. This authority was subsequently delegated to certain members of the Procurement Office for threshold values established on the basis of their grade. The financial thresholds of delegated procurement authority are set out in the annexes to the delegation of authority document dated 19 May 2005, and are shown in table II.3.

Table II.3
Financial thresholds of delegated procurement authority

Officials to whom authority may be further delegated	*Financial thresholds of delegated procurement authority*
Director/Chief of Administration, D-1 and above	Unlimited: exercise of authority in excess of $200,000 is subject to review by the local committee on contracts
Chief Procurement Officer, P-5	$150,000: procurement in excess of $150,000 is subject to approval by the Director/Chief of Administration, and procurement in excess of $200,000 is subject to the review of local committee on contracts and approval by the Director/Chief of Administration
Procurement Officer, P-4	$75,000
Procurement Officer, P-3	$50,000
Associate Procurement Officer, P-2	$25,000
Procurement Assistant, G-5 and above	$7,500

106. During the biennium 2008-2009, two officers placed orders for goods and services, using UN-Habitat funds, for amounts in excess of the authorized threshold for their grade. Those 10 orders came to a total of $1.4 million.

107. A control system was set up in the IMIS software during 2009 to automatically check the authorized thresholds for each officer placing purchase orders; however, the control system was not correctly maintained to incorporate the financial thresholds set out in the revised annexes from 2005. Twenty-nine officers could validate purchase orders for unlimited amounts, and one G-7 grade officer was authorized by the application's configuration to validate amounts of up to $70,000. Consequently, seven UN-Habitat orders were validated by officers who, in theory, should not have had sufficient access rights to authorize them.

108. **UN-Habitat agreed with the Board's recommendation that, in liaison with the United Nations Office at Nairobi, it periodically review the procurement parameters in IMIS to ensure that they reflect the thresholds set in the delegation of authority for procurement and contract management.**

Vendor database

109. Article 7.9.1 of the United Nations Procurement Manual (revision 05) requires that vendors be formally registered in the vendor database once the procurement office has ensured that the vendor fulfils the required minimum standards before contracts are awarded to them. Article 7.9.1 specifies that no contractual award shall be made prior to formal registration of a vendor upon completion of the vendor registration application, and that any exception to this policy shall only be made upon written decision of the Director of the United Nations Procurement Division and upon consultation with the vendor review committee, if applicable.

110. The United Nations Office at Nairobi, UN-Habitat and the United Nations Environment Programme (UNEP) shared a common database. Formal vendor registration simplified and secured the procurement process, especially when requests for proposals were issued with a list of qualified vendors.

111. As at the audit date, only 793 vendors out of a total of 8,105 (less than 10 per cent) had been formally registered in IMIS. Furthermore, in 2009 a batch-processing operation had marked all of the vendors in the database as active, without any prior analysis.

112. As at the audit date, 53 per cent of the vendors had not been contracted with for over four years. Marking them as active may allow inappropriate contracting with them.

113. **UN-Habitat agreed with the Board's recommendation that, in liaison with the United Nations Office at Nairobi, it: (a) formally register the vendors in the database before awarding a contract; (b) individually mark vendors in the database as active; and (c) review the vendor database to mark unused vendors as inactive.**

Contract management database

114. UN-Habitat had centralized its goods and services contracts in a Lotus Notes database. Because this database was separate from IMIS, information was re-entered manually into the latter. Given that contract numbers were not entered into IMIS, it

was not possible to monitor the total value of procurement orders per contract, for want of an automatic link between a purchase and the contract to which it pertained.

115. Moreover, there was room for improvement in the management of the database. The contract numbers and effective dates were not always entered, and the amounts were shown in local currencies or in United States dollars, with no indication of the currency used.

116. **The Board recommends that UN-Habitat, in liaison with the United Nations Office at Nairobi: (a) add a required field in the IMIS system so that the relevant contract number can be entered for goods and services orders associated with a particular contract; and (b) keep the contract management database up to date.**

12. Non-expendable property management

117. According to administrative instruction ST/AI/2003/5 on property management and inventory control, non-expendable property consists of:

(a) Property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years (e.g., generators, kitchen equipment, major equipment and vehicles);

(b) Special items, which are property items considered to be of an attractive nature and easily removable from the premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of three years or more (e.g., computers, cameras, televisions, facsimile machines and tape recorders);

(c) Group inventory items (e.g., furniture and modular workstations) with a serviceable life of five years or more, irrespective of value.

118. As disclosed in note 15 to the financial statements, the value of non-expendable property as at 31 December 2009 amounted to $9.6 million, a 7.7 per cent decrease from the previous period's balance of $10.4 million.

119. As at 31 December 2009, a total of $1.6 million had been accounted for as prior-year adjustments. The Board was told that those adjustments were corrections posted in the inventory system following the physical inventory performed during the biennium. The management informed the Board that prior to 2008 inventory data was recorded in Excel spreadsheets and was based on cumulative acquisitions. At the end of April 2008, following previous audit recommendations (the last one in A/63/5/Add.8, para. 61), a physical inventory was carried out. The records were subsequently reconciled and the previously reported figures adjusted to the actual count. UN-Habitat concluded that some disposals had not been recorded for a number of years in the summaries used to draw up the financial statements. Thus, after a thorough count, UN-Habitat established that the actual value of non-expendable property disclosed in the financial statements was significantly lower than the accumulated values recorded.

120. The Board asked for supporting documentation pertaining to the prior-year adjustments. UN-Habitat was unable to produce any listing of unrecorded disposals prior to 2008. The Board acknowledges that UN-Habitat took a significant step by carrying out a physical inventory and reconciling records with the actual count. In the absence of supporting evidence, however, the Board was unable to give reasonable assurance on the amount of prior-year adjustments reported in the

financial statements and, consequently, on the value of the non-expendable property of UN-Habitat.

121. In accordance with the Board's previous recommendations, UN-Habitat had brought in an inventory management system during the biennium. This system (Hardcat), designed to improve asset management and inventory control, was, as at the audit date, intended solely for recording and managing non-expendable property at UN-Habitat headquarters in Nairobi. The Board understands, however, that access to the system is to be extended to a number of offices (26 licences have been acquired so far).

122. The slow deployment of the inventory management system to all outposted and liaison offices was detrimental to efficient property management.

123. **UN-Habitat agreed with the Board's recommendation that it extend the inventory management system to the liaison and outposted offices.**

13. Information technology

Preparation of financial statements

124. In its previous report (A/63/5/Add.8, paras. 81-87), the Board noted that the procedure for drawing up financial statements contained inadequacies.

125. The accounts management system in IMIS did not enable the UN-Habitat financial statements to be produced automatically. To overcome this deficiency, a special module, known as Crystal, was used by the United Nations Office at Nairobi to extract the account balances required to produce the financial statements, in particular the trial balances of accounts by fund.

126. Once Crystal had extracted the data, the accounts service at the Office transferred the data into spreadsheets. To obtain all the data required to analyse the financial statements (i.e., general balance, balance by fund, details of expenditure and income, obligations and contributions), the accounts service made several different extracts using Crystal. The service then reprocessed the data exported from Crystal to files so that the data could be correctly formatted for the financial statements.

127. The system entailed time limits and the risk of errors as a result of manual operations. It was a four-step process to produce the financial statements from the data extracted from the accounting system, and two of the steps were not automated.

128. This insufficient automation was also highlighted by the manual export and reprocessing operations required to transfer the balance accounts, which are held by account number based on the IMIS accounting chart, to the balances reported in the financial statements, which are entered by type of operation.

129. UN-Habitat had agreed with the Board's recommendation that it consider options for reducing to a minimum manual processing in the course of preparing the financial statements (see A/63/5/Add.8, para. 87).

130. During the interim audit conducted in 2009, the Board further specified its recommendation by requesting UN-Habitat to:

(a) Reduce the number of manual operations performed on the basic data, such as by directly configuring a satisfactory output format in Crystal;

(b) Complete the current procedure with a detailed explanation of all of the manual operations to be performed on the data in Excel and what checks should be made on the various tables;

(c) Write a manual describing precisely which accounts are integrated into the various lines of the financial statements, as well as how the creditor and debtor account balances are split between assets and liabilities.

131. The Board noted that a new tool based on Microsoft Access was now used to automatically generate the financial statements after processing raw Excel extractions made by Crystal. A few manual operations were nevertheless still required to change the position of some statement lines and to take into account elements that were not processed by IMIS.

132. A draft manual for preparing the financial statements had also been issued; however, the checks and controls detailed in that document were not described in sufficient detail for them to be adequately performed by third parties.

133. **The Board recommends that UN-Habitat, in liaison with the United Nations Office at Nairobi: (a) programme the Access tool for preparing the financial statements in order to eliminate any residual manual operations; and (b) refine the description of the checks and controls.**

Journal voucher entries

134. Journal voucher entries are direct, manual entries in general ledger accounts. As such, they entail risks of fraud or inappropriate use of the systems, which may lead to misstatements or errors in the financial statements. Such entries ought to be closely monitored and reviewed, and access rights to such transactions ought to be restricted.

135. The Board noted that 27 per cent of general ledger entries for income and 4 per cent for expenditure were recorded through journal vouchers. This was mostly a result of the limitations of IMIS. In addition, no fewer than 74 staff at the United Nations Office at Nairobi were allowed to make journal voucher entries in IMIS, and 18 of the 62 staff of the United Nations Office at Nairobi Accounts Section were authorized to approve them. The Board is of the view that both the volume of journal voucher entries and the number of staff authorized to make them considerably increased the risk of error or fraud.

136. Additionally, the Board found that the reviews of the journal voucher entries were not frequent enough.

137. **UN-Habitat agreed with the Board's recommendation that, in coordination with the United Nations Office at Nairobi, it: (a) take advantage of the upcoming implementation of the new enterprise resource planning system to eliminate journal voucher entries; and (b) strengthen internal control over journal voucher entries and the access rights to make them.**

14. Internal audit

138. As at 31 December 2009, the staff of OIOS, which is in charge of auditing the United Nations Office at Nairobi, UNEP and UN-Habitat, consisted of two auditors and an assistant auditor. There was a 40 per cent vacancy rate.

139. In 2008 and 2009, OIOS had carried out five missions concerning UN-Habitat, which had resulted in three final reports. Over the same period, one mission had been replaced, two others had been cancelled because of a shortage of staff and one mission was in its final phase.

140. **The Board recommends that OIOS improve the rate of completion of its planned audits of UN-Habitat.**

141. OIOS audited the financial management of UN-Habitat and found that there was no plan for monitoring and checking the achievement of the objectives of UN-Habitat during the biennium.

142. Upon its review of Water and Sanitation trust fund activities at UN-Habitat, OIOS found that centralization did not adequately support operational needs at project sites; it increased the risk of delays in implementing activities, causing the disengagement of main local actors. Although the project activities had helped to improve the distribution of water and sanitation, it was necessary to reinforce the system of control and support for projects carried out in the field.

143. The Board also took account of the risk assessment report of OIOS in its audits.

C. Disclosures by management

1. Write-offs of cash losses, receivables and property

144. The Administration informed the Board that, in accordance with financial rule 106.8, cash losses and accounts receivables of $1,809 had been written off during 2008-2009. In accordance with financial rule 106.9, losses amounting to $30,925 had also been written off in respect of property.

2. Ex gratia payments

145. As required by financial regulation 105.12, the Administration reported no ex gratia payments for the period under review.

3. Cases of fraud or presumptive fraud

146. In accordance with paragraph 6 (c) (i) of the annex to the Financial Regulations and Rules of the United Nations, the Board examined the cases of fraud and presumptive fraud that took place during the biennium and were reported to UN-Habitat.

Health and Water Foundation

147. In 2007, UN-Habitat concluded a six-month agreement with a non-governmental organization, which was supposed to receive $208,990. Under the terms of the agreement, an advance of $41,798 was paid to the organization on signature of the agreement. The second instalment was not paid because of a lack of evidence of actual activities and because some documents were incomplete. UN-Habitat found that the planned work had not been done. UN-Habitat requested an independent audit on the beneficiary organization and asked OIOS to conduct the necessary investigations in 2008. In May 2010, the investigations were finished and the report was being finalized. All payments had been suspended. Additionally,

UN-Habitat produced a handbook on how to select partners and took corrective measures to reinforce internal control.

Overtime hours

148. A UN-Habitat officer had been paid for overtime that he had not worked between 2007 and 2009. As at the Board's audit date, the conclusions of OIOS were awaited to identify the extent of the fraud and the action to take. This case revealed a shortcoming in the administrative division, since UN-Habitat had, on the basis of a false declaration, been led to pay for overtime hours in excess of the set number per month. The amount paid to this officer for overtime during the period from April 2007 to May 2009 amounted to $24,413.

149. The Board took note that UN-Habitat had reminded all of the organization's certifying and approving officers of the duty of vigilance with regard to the regulations on overtime.

D. Acknowledgements

150. The Board wishes to express its appreciation for the cooperation and assistance provided to its staff by the Executive Director of the United Nations Human Settlements Programme and members of its staff.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Annex

Status of implementation of recommendations for the biennium ended 31 December 2007[1]

	Summary of recommendation	*Paragraph reference*	*First reported*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	Conduct an inventory of expendable items as at the end of the biennium and account for and disclose them pursuant to paragraph 49 (iv) of the United Nations system accounting standards	18	2004-2005			X	
2.	Regularly monitor the level of liquidity, in order to eliminate any potential for delay in the implementation of the projects	34	2006-2007	X			
3.	Set up specific funding for end-of-service and after-service health insurance liabilities	45	2006-2007		X		
4.	Disclose in the financial statements the resources from the United Nations regular budget and the related expenditure	51	2006-2007	X			
5.	Establish, in conjunction with the United Nations Environment Programme and the United Nations Office at Nairobi, a working group for the implementation of both IPSAS and the enterprise resource planning system	56	2006-2007	X			
6.	Justify the amounts relating to non-expendable property and reconcile these amounts with the values provided by the physical inventories	61	2006-2007	X			
7.	Continue to improve the gender balance among Professional staff	65	2006-2007	X			
8.	Make every reasonable effort to increase the geographical diversity among the Professional staff, in line with Article 101 of the Charter of the United Nations	67	2006-2007	X			
9.	Complete its files by systematically including records of qualifications and annual performance evaluation forms for its entire staff	70	2006-2007	X			
10.	Cooperate with the United Nations Office at Nairobi to establish an annual training plan for its own staff	73	2006-2007		X		
11.	Comply with the applicable regulation relative to consultants and service contracts	78	2006-2007	X			
12.	Ensure that UN-Habitat regional offices issue all the performance evaluations in respect of consultant and service contracts	80	2006-2007	X			

[1] See A/63/5/Add.8.

	Summary of recommendation	*Paragraph reference*	*First reported*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
13.	Consider options for reducing to a minimum manual processing in the course of preparing the financial statements	87	2006-2007		X		
14.	Ensure that the Regional Office for Asia and the Pacific identifies and implements new projects in the countries where UN-Habitat is not permanently involved	90	2006-2007	X			
15.	Ensure that the Regional Office for Asia and the Pacific continues to improve project preparation in order to identify potential implementation difficulties as accurately as possible and determine suitable implementation deadlines	95	2006-2007	X			
16.	Ensure that the Regional Office for Asia and the Pacific submits operational monitoring reports according to the frequency set out in the project funding agreements	98	2006-2007	X			
17.	(a) Conclude appropriately the $7 million project in Afghanistan and (b) adopt the necessary measures to ensure that all funding is used in conformity with the aims of the relevant projects and the intention of donors	104	2006-2007	X			
	Total recommendations	**17**		**13**	**3**	**1**	
	Percentage	**100**		**76**	**18**	**6**	

Chapter III
Certification of the financial statements

31 March 2010

The financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the biennium ended 31 December 2009 have been prepared in accordance with financial rule 106.10 of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information on, and clarifications of, the financial activities undertaken by UN-Habitat during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of UN-Habitat, including the associated trust funds and other related accounts as disclosed in statements I to VIII, are correct.

(*Signed*) David G. **Hastie**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the biennium ended 31 December 2009

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the financial statements of the United Nations Human Settlements Programme (UN-Habitat), including associated trust funds and other related accounts, for the biennium ended 31 December 2009. The financial statements consist of eight statements supported by four schedules and notes to the financial statements. The statements were transmitted to the Board of Auditors on 31 March 2010.

2. Comparative data for the biennium ended 31 December 2007, as appropriate, have been reflected in the financial statements.

3. In conformity with United Nations Secretariat reporting requirements:

(a) The inter-fund balances are not offset;

(b) The accounts receivable and accounts payable are reported without offsetting;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance liabilities and unused vacation days, are presented as liabilities in the accounts.

4. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

B. Financial overview

5. Statements I to III show the combined financial position of UN-Habitat for the bienniums ended 31 December 2009 and 31 December 2007.

6. UN-Habitat income for the biennium ended 31 December 2009 increased by $21.6 million (7.5 per cent) to $311.6 million.

7. Expenditure for the same biennium increased by $45.9 million (18.4 per cent) to $296.4 million.

8. The net excess of income over expenditure before adjustments decreased by $24.3 million (61.5 per cent) to $15.2 million.

9. The cash position including the cash pool as at 31 December 2009 increased by $35.5 million (20.4 per cent) to $209.6 million.

C. Foundation activities

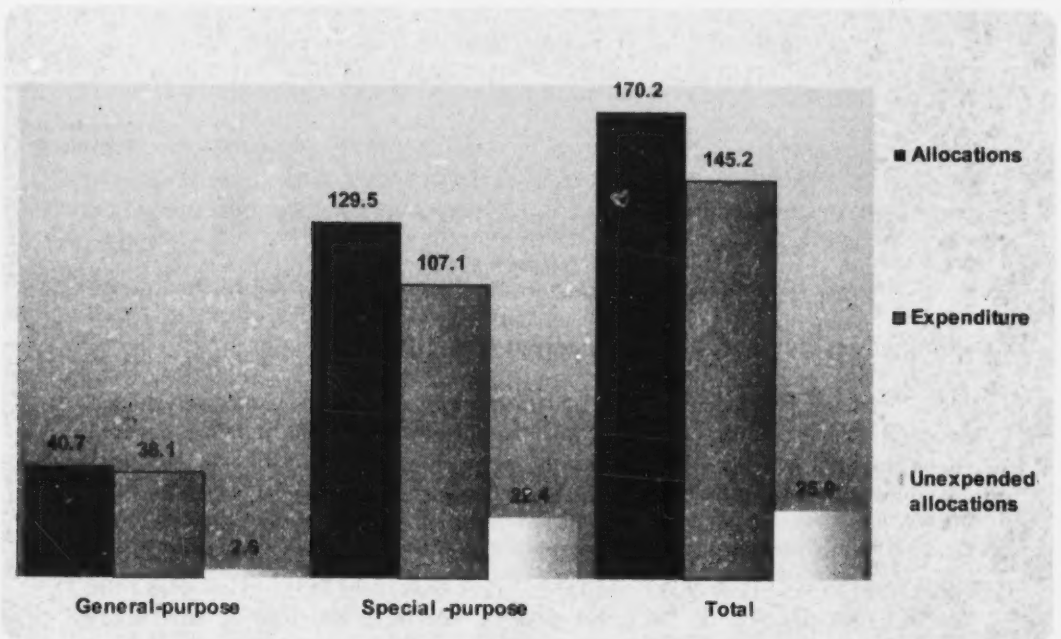
10. The Governing Council, in its resolution 21/1 of 20 April 2007, approved the general-purpose budget of $32,795,100 and endorsed the special-purpose budget of $72,933,500 for the biennium 2008-2009. The Council also authorized the Executive Director, subject to the availability of resources, to make additional

commitments of up to $15 million for the implementation of the revised work programme and budget, including the medium-term strategic and institutional plan, against general-purpose funds as well as against any additional special-purpose funds. The Council further authorized the Executive Director, in the event of a shortfall or a surplus in income, to adjust, in consultation with the Committee of Permanent Representatives, the level of allocations for programme activities to bring it into line with the actual level of income.

11. UN-Habitat received pledges for its Foundation activities of $125.3 million for the biennium ended 31 December 2009 as compared with $136.3 million for the biennium ended 31 December 2007, a decrease of 8.1 per cent.

12. Expenditure for Foundation activities was $145.2 million before the elimination of programme support costs and within the budget allocations of $170.2 million approved by the Executive Director as outlined in paragraph 10 above. The allocations and expenditure for the Foundation activities for the biennium ended 31 December 2009 are presented in figure IV.I.

Figure IV.I
Foundation activities: status of allocations
(Millions of United States dollars)



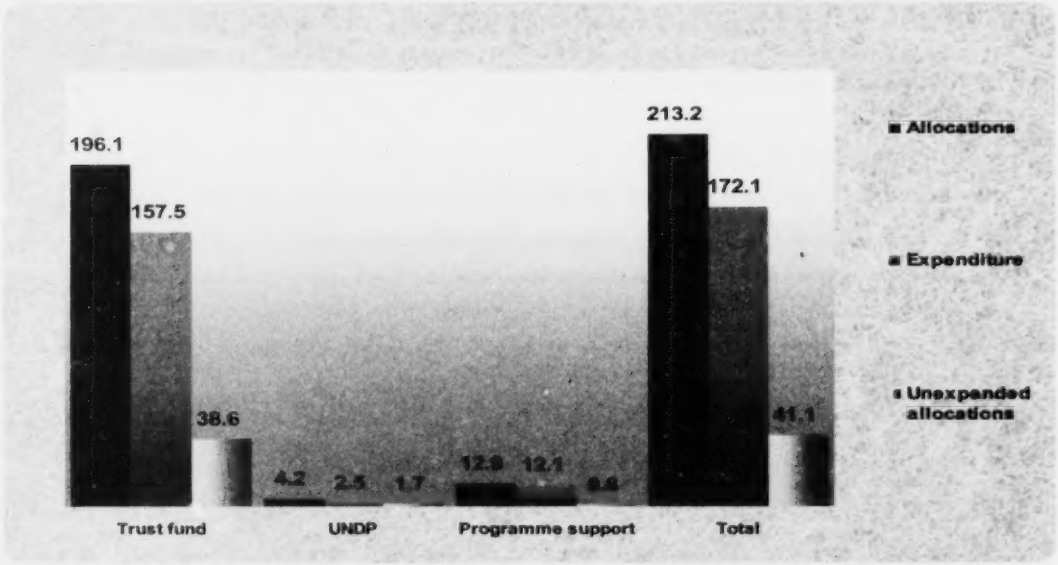
D. Technical cooperation activities

13. UN-Habitat received contributions for its technical cooperation activities of $173.0 million for the biennium ended 31 December 2009, as compared with $121.6 million for the biennium ended 31 December 2007, an increase of 42.3 per

cent. An additional amount of $2.4 million was received in respect of projects funded by the United Nations Development Programme.

14. Expenditure of $172.1 million before the elimination of programme support cost activities is within the budget allocations of $213.2 million approved by the Executive Director. Allocations and expenditure for the technical cooperation activities for the biennium ended 31 December 2009 are presented in figure IV.II.

Figure IV.II
Technical cooperation activities: status of allocations
(Millions of United States dollars)



E. End-of-service and post-retirement benefits

15. Effective 31 December 2007, UN-Habitat fully accrues for end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, unused vacation days and repatriation benefits. Since July 2002, UN-Habitat has been accruing repatriation benefits at 8 per cent of net salary, but no accruals have been made in respect of after-service health insurance or unused vacation days, as these have normally been charged on a "pay-as-you-go" basis.

16. The 31 December 2009 accrued balances have been adjusted to reflect the current liabilities as at 31 December 2009 as reflected in the 2009 actuarial study carried out by a consulting firm contracted on behalf of UN-Habitat by the United Nations Secretariat. By fully charging these liabilities in the financial statements as at 31 December 2009, an amount of $10.1 million of unbudgeted expenditure is being shown under the line "total reserves and fund balances" in statements I and II. The details are disclosed in statement VIII and note 13 of the notes to the financial statements.

F. Regular budget

17. UN-Habitat received an allocation of $22.4 million from the United Nations General Fund and a further $1.9 million from the Development Account for the biennium ended 31 December 2009. Expenditure of $22.9 million was incurred under the United Nations General Fund and a further $1.1 million against the Development Account during this biennium compared with $20.6 million and $0.3 million, respectively, for the biennium ended 31 December 2007, as illustrated in note 16.

Chapter V

Financial statements for the biennium ended 31 December 2009

Statement I
All funds summary: income and expenditure and changes in reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	*Foundation (statement IV)*	*Technical cooperation (statement VI)*	*End-of-service and post-retirement benefits (statement VIII)*	*All funds eliminations*	*Total*	
						2009	*2007*
Income							
Voluntary contributions	Schedule 5.2 and 7.2	125 292	173 007	—	—	298 299	257 963
Funds received under inter-organizational arrangements	Notes 2 (k) (ii) and 2 (s) (iii)	—	2 368	—	—	2 368	18 950
Income for services rendered		17	200	—	(61)	156	71
Interest income		6 721	3 603	—	—	10 324	12 757
Miscellaneous	Note 3	427	31	—	—	458	248
Total income		**132 457**	**179 209**	**—**	**(61)**	**311 605**	**289 989**
Total expenditure	Schedules 5.1 and 7.1	135 801	160 617	—	(61)	296 357	250 409
Excess/(shortfall) of income over expenditure		**(3 344)**	**18 592**	**—**	**—**	**15 248**	**39 580**
Non-budgeted accrued expenses		—	—	86	—	86	(8 076)
Prior-period adjustments	Note 4	(178)	(108)	—	—	(286)	503
Net excess/(shortfall) of income over expenditure		**(3 522)**	**18 484**	**86**	**—**	**15 048**	**32 007**
Savings on prior-period obligations	Note 2 (k) (viii)	906	1 073	—	—	1 979	561
Transfer from (to) reserves	Note 2 (o) and (p)	(4 732)	(7 794)	221	—	(12 305)	(303)
Credits to member States and other donors	Note 5	(79)	(300)	—	—	(379)	(944)
Fund balances, beginning of period		85 799	36 423	(10 452)	—	111 770	80 449
Fund balances, end of period	Note 14	78 372	47 886	(10 145)	—	116 113	111 770
Reserves, beginning of period		3 184	1 802	—	—	4 986	4 683
Transfers to reserves	Note 2 (o) and (p)	4 732	7 794	2	—	12 528	303
Reserves, end of period	Note 14	7 916	9 596	2	—	17 514	4 986
Total reserves and fund balances	**Note 14**	**86 288**	**57 482**	**(10 143)**	**—**	**133 627**	**116 756**

Statement II
All funds summary: assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme
(Thousands of United States dollars)

	Reference	Foundation (statement V)	Technical cooperation (statement VII)	End-of-service and post-retirement benefits (statement VIII)	All funds eliminations	Total 2009	Total 2007
Assets							
Cash and term deposits	Note 6	928	960	—	—	1 888	22 858
Cash pool	Note 6	135 949	71 777	—	—	207 726	151 301
Accounts receivable:							
Voluntary contributions	Schedule 5.2	1 795	—	—	—	1 795	2 265
Inter-fund balances	Note 7	14 817	10 063	2 706	—	27 586	73 015
Other	Note 8	1 308	1 575	—	—	2 883	3 734
Balances relating to projects funded by donors	Note 9	—	7 672	—	—	7 672	11 220
Other assets	Note 10	236	250	—	—	486	1 799
Total assets		**155 033**	**92 297**	**2 706**	**—**	**250 036**	**266 192**
Liabilities							
Payments or contributions received in advance	Schedule 5.2	10	—	—	—	10	10
Unliquidated obligations	Note 11	44 038	27 181	—	—	71 219	58 879
Accounts payable:							
Inter-fund balances	Note 7	23 415	4 750	—	—	28 165	73 370
Other	Note 12	1 282	2 884	—	—	4 166	4 957
End-of-service and post-retirement benefits	Note 13	—	—	12 849	—	12 849	12 220
Total liabilities		**68 745**	**34 815**	**12 849**	**—**	**116 409**	**149 436**
Reserves and fund balances							
Reserves	Notes 2 (o), 2 (p) and 14	7 916	9 596	2	—	17 514	4 986
Fund balances	Notes 2 (q) and 14	78 372	47 886	(10 145)	—	116 113	111 770
Total reserves and fund balances		**86 288**	**57 482**	**(10 143)**	**—**	**133 627**	**116 756**
Total liabilities, reserves and fund balances		**155 033**	**92 297**	**2 706**	**—**	**250 036**	**266 192**

Statement III
All funds summary: cash flows

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	*Foundation*	*Technical cooperation*	*End-of-service and post-retirement benefits*	*Total* 2009	*Total* 2007
Cash flows from operating activities						
Net excess (shortfall) of income over expenditure		(3 522)	18 484	86	15 048	32 007
(Increase) decrease in						
Contributions receivable		470	—	—	470	(2 131)
Other accounts receivable		77	774	—	851	(333)
Other assets		1 053	260	—	1 313	1 452
Inter-fund balances receivable		4 451	41 916	(938)	45 429	(9 424)
Balances relating to projects funded by donors		—	3 548	—	3 548	6 830
Increase (decrease) in						
Contributions or payments received in advance		—	—	—	—	(16)
Unliquidated obligations		11 268	1 072	—	12 340	(606)
Accounts payable		(149)	(642)	—	(791)	1 054
Inter-fund balances payable		(8 130)	(37 075)	—	(45 205)	7 958
End-of-service and post-retirement benefits		—	—	629	629	8 712
Less: interest income		(6 721)	(3 603)	—	(10 324)	(12 757)
Net cash flows from operating activities		**(1 203)**	**24 734**	**(223)**	**23 308**	**32 746**
Cash flows from investing activities						
(Increase) decrease in cash pools		(27 298)	(29 127)	—	(56 425)	(47 261)
Plus: interest income		6 721	3 603	—	10 324	12 757
Net cash flows from investing activities		**(20 577)**	**(25 524)**	**—**	**(46 101)**	**(34 504)**

	Reference	Foundation	Technical cooperation	End-of-service and post-retirement benefits	Total 2009	Total 2007
Cash flows from financing activities						
Savings on or cancellation of prior-period obligations		906	1 073	—	1 979	561
Credits to member States		(79)	(300)	—	(379)	(944)
Transfer to reserves		—	—	223	223	—
Net cash flows from financing activities		**827**	**773**	**223**	**1 823**	**(383)**
Net decrease in cash and term deposits		(20 953)	(17)	—	(20 970)	(2 141)
Cash and term deposits, beginning of period		21 881	977	—	22 858	24 999
Cash and term deposits, end of period	Note 6	928	960	—	1 888	22 858

Statement IV
Foundation activities: income and expenditure and changes in reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	*Human Settlements Foundation*	*Water and Sanitation trust fund*	*Palestinian trust fund*	*Experimental Reimbursable Seeding Operations trust fund*	*Programme support*	*All funds eliminations*	*Total* 2009	*Total* 2007
Income									
Voluntary contributions	Schedule 5.2	83 227	39 068	2 247	750	—	—	125 292	136 341
Income for services rendered		—	—	—	—	9 366	(9 349)	17	—
Interest income		3 919	2 117	163	166	356	—	6 721	7 373
Miscellaneous	Note 3	423	4	—	—	—	—	427	127
Total income		**87 569**	**41 189**	**2 410**	**916**	**9 722**	**(9 349)**	**132 457**	**143 841**
Total expenditure	Schedule 5.1	88 515	46 228	4 969	158	5 280	(9 349)	135 801	94 675
Excess/(shortfall) of income over expenditure		**(946)**	**(5 039)**	**(2 559)**	**758**	**4 442**	**—**	**(3 344)**	**49 166**
Prior-period adjustments	Note 4	(1 673)	844	(3)	—	654	—	(178)	(62)
Net excess of income over expenditure		**(2 619)**	**(4 195)**	**(2 562)**	**758**	**5 096**	**—**	**(3 522)**	**49 104**
Savings on prior-period obligations	Note 2 (k) (viii)	904	—	—	—	2	—	906	337
Transfers to reserves	Note 2 (o) and (p)	(860)	(3 404)	(249)	(12)	(207)	—	(4 732)	(303)
Credits to member States and other donors	Note 5	(79)	—	—	—	—	—	(79)	(85)
Fund balances, beginning of period		52 687	24 330	2 898	2 880	3 004	—	85 799	36 746
Fund balances, end of period		50 033	16 731	87	3 626	7 895	—	78 372	85 799
Reserves, beginning of period		2 419	—	—	—	765	—	3 184	2 881

	Reference	Human Settlements Foundation	Water and Sanitation trust fund	Palestinian trust fund	Experimental Reimbursable Seeding Operations trust fund	Programme support	All funds eliminations	Total 2009	Total 2007
Transfers to reserves	Note 2 (o) and (p)	860	3 404	249	12	207	—	4 732	303
Reserves, end of period		3 279	3 404	249	12	972	—	7 916	3 184
Total reserves and fund balances		**53 312**	**20 135**	**336**	**3 638**	**8 867**	**—**	**86 288**	**88 983**

Statement V
Foundation activities: assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme
(Thousands of United States dollars)

	Reference	Human Settlements Foundation	Water and Sanitation trust fund	Palestinian trust fund	Experimental Reimbursable Seeding Operations trust fund	Programme support	All funds eliminations	Total 2009	Total 2007
Assets									
Cash and term deposits	Note 6	928	—	—	—	—	—	928	21 881
Cash pool	Note 6	80 493	40 886	3 304	3 289	7 977	—	135 949	108 651
Accounts receivable:									
Voluntary contributions	Schedule 5.2	1 795	—	—	—	—	—	1 795	2 265
Inter-fund balances	Note 7	8 169	4 997	372	422	857	—	14 817	19 268
Other	Note 8	991	259	14	1	43	—	1 308	1 385
Other assets	Note 10	170	39	—	—	27	—	236	1 289
Total assets		**92 546**	**46 181**	**3 690**	**3 712**	**8 904**	**—**	**155 033**	**154 739**
Liabilities									
Payments or contributions received in advance	Schedule 5.2	10	—	—	—	—	—	10	10
Unliquidated obligations	Note 11	14 992	25 588	3 352	73	33	—	44 038	32 770
Accounts payable:									
Inter-fund balances	Note 7	23 415	—	—	—	—	—	23 415	31 545
Other	Note 12	817	458	2	1	4	—	1 282	1 431
Total liabilities		**39 234**	**26 046**	**3 354**	**74**	**37**	**—**	**68 745**	**65 756**
Reserves and fund balances									
Reserves	Notes 2 (o), 2 (p) and 14	3 279	3 404	249	12	972	—	7 916	3 184
Fund balance	Notes 2 (q) and 14	50 033	16 731	87	3 626	7 895	—	78 372	85 799
Total reserves and fund balances		**53 312**	**20 135**	**336**	**3 638**	**8 867**	**—**	**86 288**	**88 983**
Total liabilities, reserves and fund balances		**92 546**	**46 181**	**3 690**	**3 712**	**8 904**	**—**	**155 033**	**154 739**

Schedule 5.1
Status of allocations

United Nations Human Settlements Programme for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Programme activities					
Staff and other personnel costs	23 653	90	22 400	22 490	1 163
Contractual services	1 167	133	851	984	183
Travel	939	65	768	833	106
Operating expenses	1 992	142	1 782	1 924	68
Acquisitions	269	151	(17)	134	135
Subtotal	**28 020**	**581**	**25 784**	**26 365**	**1 655**
Non-earmarked projects					
Staff and other personnel costs	5 666	2 102	3 127	5 229	437
Contractual services	1 247	659	428	1 087	160
Travel	2 002	208	1 793	2 001	1
Operating expenses	3 084	822	1 999	2 821	263
Acquisitions	649	291	344	635	14
Subtotal	**12 648**	**4 082**	**7 691**	**11 773**	**875**
Earmarked projects					
Staff and other personnel costs	23 171	4 101	15 117	19 218	3 953
Contractual services	18 492	9 715	5 047	14 762	3 730
Travel	4 247	469	3 189	3 658	589
Operating expenses	13 847	3 029	4 441	7 470	6 377
Acquisitions	1 167	240	515	755	412
Fellowships, grants and contributions	1 047	385	97	482	565
Programme support costs	5 391	—	4 032	4 032	1 359
Subtotal	**67 362**	**17 939**	**32 438**	**50 377**	**16 985**
Total Human Settlements Foundation	**108 030**	**22 602**	**65 913**	**88 515**	**19 515**
Water and Sanitation trust fund					
Staff and other personnel costs	11 233	2 662	7 848	10 510	723
Contractual services	27 462	21 701	3 298	24 999	2 463
Travel	1 921	363	1 448	1 811	110
Operating expenses	4 497	1 464	2 171	3 635	862

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Acquisitions	427	141	191	332	95
Programme support costs	5 450	—	4 941	4 941	509
Subtotal	**50 990**	**26 331**	**19 897**	**46 228**	**4 762**
Palestinian trust fund					
Staff and other personnel costs	862	415	434	849	13
Contractual services	3 430	3 090	313	3 403	27
Travel	116	33	59	92	24
Operating expenses	446	92	93	185	261
Acquisitions	111	19	59	78	33
Programme support costs	390	—	362	362	28
Subtotal	**5 355**	**3 649**	**1 320**	**4 969**	**386**
Experimental Reimbursable Seeding Operations trust fund					
Staff and other personnel costs	103	81	(60)	21	82
Contractual services					
Travel	35	4	(4)	—	35
Operating expenses	156	28	95	123	33
Programme support costs	29	—	14	14	15
Subtotal	**323**	**113**	**45**	**158**	**165**
Programme support					
Staff and other personnel costs	4 438	6	4 328	4 334	104
Contractual services	141	7	103	110	31
Travel	114	8	84	92	22
Operating expenses	710	—	690	690	20
Acquisitions	62	13	41	54	8
Subtotal	**5 465**	**34**	**5 246**	**5 280**	**185**
Total	**170 163**	**52 729**	**92 421**	**145 150**	**25 013**
Less: elimination of programme support costs				(9 349)	
Net total expenditure				**135 801**	

Statement IV

Schedule 5.2
Status of contributions

United Nations Human Settlements Programme

(United States dollars)

Country/organization	*Unpaid pledges as at 1 January 2008*	*Prior-biennium adjustments*	*Collections of prior-biennium pledges*	*Pledges for 2008-2009*	*Revaluations*	*Collections for future years*	*Collections of current-biennium pledges*	*Unpaid pledges*
Non-earmarked contributions								
Algeria	—	—	—	20 000	—	10 000	20 000	—
Argentina	—	—	—	2 336	—	—	—	2 336
Austria	—	—	—	98 000	—	—	98 000	—
Bahrain	—	—	—	250 000	—	—	250 000	—
Bangladesh	—	—	—	7 500	—	—	—	7 500
Barbados	—	—	—	6 000	—	—	6 000	—
Burkina Faso	22 552	(1 331)	21 221	—	—	—	—	—
Cameroon	—	—	—	2 257	—	—	2 257	—
Canada Mortgage Housing Corporation	—	—	—	137 050	—	—	137 050	—
Chad	—	—	—	10 000	—	—	10 000	—
Chile	—	—	—	10 000	—	—	10 000	—
Colombia	—	—	—	24 000	—	—	24 000	—
Costa Rica	—	901	901	—	—	—	—	—
Cyprus	3 600	—	3 600	3 600	—	—	3 600	—
Czech Republic	—	—	—	121 936	—	—	121 936	—
Finland	—	—	—	1 436 931	—	—	1 436 931	—
France	—	—	—	295 680	—	—	295 680	—
Greece	—	—	—	60 000	—	—	60 000	—
India	80 000	—	80 000	160 000	—	—	160 000	—
Israel	—	—	—	20 000	—	—	20 000	—
Jamaica	—	—	—	4 985	—	—	4 985	—
Japan	148 364	—	148 364	296 728	—	—	148 364	148 364
Kenya	16 649	—	16 649	120 000	—	—	99 209	20 791
Madagascar	1 000	—	1 000	—	—	—	—	—
Netherlands	—	—	—	3 039 120	—	—	3 039 120	—
Norway	—	—	—	14 449 445	—	—	14 449 445	—
Pakistan	—	—	—	11 960	—	—	11 960	—
Philippines	2 073	—	2 073	827	—	—	827	—
Portugal	—	—	—	101 801	—	—	101 801	—
Republic of Korea	—	—	—	28 535	—	—	28 535	—
Russian Federation	—	—	—	20 000	—	—	20 000	—
Rwanda	5 000	—	—	—	—	—	—	5 000

Country/organization	*Unpaid pledges as at 1 January 2008*	*Prior-biennium adjustments*	*Collections of prior-biennium pledges*	*Pledges for 2008-2009*	*Revaluations*	*Collections for future years*	*Collections of current-biennium pledges*	*Unpaid pledges*
Serbia	—	—	—	8 400	—	—	—	8 400
Slovenia	—	—	—	7 500	—	—	7 500	—
South Africa	33 000	—	33 000	90 500	—	—	90 500	—
Spain	—	—	—	5 449 400	—	—	5 449 400	—
Sri Lanka	—	—	—	15 000	—	—	15 000	—
Sweden	—	—	—	7 308 797	—	—	7 308 797	—
Trinidad and Tobago	—	—	—	1 000	—	—	1 000	—
Tunisia	—	—	—	1 548	—	—	1 548	—
Uganda	—	—	—	3 011	—	—	—	3 011
United Kingdom of Great Britain and Northern Ireland	1 952 700	—	1 952 700	3 036 782	139 218		1 576 000	1 600 000
United Republic of Tanzania	—	—	—	13 763	—	—	13 763	—
United States of America	—	—	—	2 991 900	—	—	2 991 900	—
Venezuela (Bolivarian Republic of)	—	—	—	20 000	—	—	20 000	—
Zambia	—	—	—	20 000	—	—	20 000	—
Total non-earmarked	**2 264 938**	**(430)**	**2 259 508**	**39 706 292**	**139 218**	**10 000**	**38 055 108**	**1 795 402**
Earmarked contributions								
Governments								
Austria	—	—	—	5 000	—	—	5 000	—
Bahrain	—	—	—	195 959	—	—	195 959	—
Belgium	—	—	—	222 433	—	—	222 433	—
Canada	—	—	—	61 123	—	—	61 123	—
China	—	—	—	1 042 841	—	—	1 042 841	—
City of Vienna	—	—	—	4 995	—	—	4 995	—
France	—	—	—	428 956	—	—	428 956	—
Germany	—	—	—	151 949	—	—	151 949	—
Italy	—	—	—	2 489 824	—	—	2 489 824	—
Japan	—	—	—	1 105 448	—	—	1 105 448	—
Jordan	—	—	—	127 910	—	—	127 910	—
Kuwait	—	—	—	692 032	—	—	692 032	—
Netherlands	—	—	—	457 432	—	—	457 432	—
Norway	—	(1 495 744)	(1 495 744)	12 870 440	—	—	12 870 440	—
Poland	—	(3 000)	(3 000)	1 021 962	—	—	1 021 962	—
Republic of Korea	—	—	—	86 161	—	—	86 161	—

Country/organization	*Unpaid pledges as at 1 January 2008*	*Prior-biennium adjustments*	*Collections of prior-biennium pledges*	*Pledges for 2008-2009*	*Revaluations*	*Collections for future years*	*Collections of current-biennium pledges*	*Unpaid pledges*
Russian Federation	—	—	—	780 000	—	—	780 000	—
Spain	—	—	—	2 238 140	—	—	2 238 140	—
Sweden	—	—	—	7 348 155	—	—	7 348 155	—
United Kingdom of Great Britain and Northern Ireland	—	—	—	300 105	—	—	300 105	—
Total Governments	**—**	**(1 498 744)**	**(1 498 744)**	**31 630 865**	**—**	**—**	**31 630 865**	**—**
Government organizations								
United Kingdom Department for International Development	—	—	—	428 697	—	—	428 697	—
Diputació de Barcelona	—	—	—	168 776	—		168 776	—
International Bank for Reconstruction and Development/ World Bank	—	—	—	5 136 849	—	—	5 136 849	—
International Bank for Reconstruction and Development/ World Bank International Finance Corporation	—	—	—	271 000	—	—	271 000	—
Swedish National Police Board	—	—	—	43 868	—	—	43 868	—
United Nations Economic Commission for Africa	—	—	—	10 000	—	—	10 000	—
European Union	—	—	—	17 197	—	—	17 197	—
United Nations Development Programme	—	—	—	294 202	—	—	294 202	—
United Nations Environment Programme	—	—	—	91 999	—	—	91 999	—
United Nations General trust fund	—	—	—	214 642	—	—	214 642	—

Country/organization	*Unpaid pledges as at 1 January 2008*	*Prior-biennium adjustments*	*Collections of prior-biennium pledges*	*Pledges for 2008-2009*	*Revaluations*	*Collections for future years*	*Collections of current-biennium pledges*	*Unpaid pledges*
United Nations Population Fund — United States of America	—	—	—	25 000	—	—	25 000	—
Total Government organizations	**—**	**—**	**—**	**6 702 230**	**—**	**—**	**6 702 230**	**—**
Public donors								
Al-Madina Al-Munawara Greater Municipality	—	—	—	74 975	—	—	74 975	—
BASF Aktiengesellschaft	—	—	—	359 127	—	—	359 127	—
China Real Estate Chamber of Commerce — Technology	—	—	—	64 960	—	—	64 960	—
Deutsche Gesellschaft fur Technische Zusammenarbeit	—	—	—	24 049	—	—	24 049	—
Dubai Municipality	—	—	—	172 974	—	—	172 974	—
Consumers Union of Tajikistan	—	—	—	2 337	—	—	2 337	—
Rafik Hariri Foundation	—	—	—	922 567	—	—	922 567	—
Fukuoka International Exchange Foundation	—	—	—	1 326 821	—	—	1 326 821	—
Fundação Euclides da Cunha	—	—	—	245 485	—	—	245 485	—
Gangwon Province, Republic of Korea	—	—	—	556 358	—	—	556 358	—
International Development Research Centre	—	—	—	359 330	—	—	359 330	—
International Federation of Red Cross and Red Crescent Societies	—	—	—	10 000	—	—	10 000	—
People of Japan	—	—	—	217 422	—	—	217 422	—
Prefeitura da Cidade do Rio de Janeiro	—	—	—	692 188	—	—	692 188	—

Country/organization	*Unpaid pledges as at 1 January 2008*	*Prior-biennium adjustments*	*Collections of prior-biennium pledges*	*Pledges for 2008-2009*	*Revaluations*	*Collections for future years*	*Collections of current-biennium pledges*	*Unpaid pledges*
The Ford Foundation	—	—	—	157 640	—	—	157 640	—
Y's Men International	—	—	—	1 496	—	—	1 496	—
Total public donors	**—**	**—**	**—**	**5 187 729**	**—**	**—**	**5 187 729**	**—**
Total earmarked	**—**	**(1 498 744)**	**(1 498 744)**	**43 520 824**	**—**	**—**	**43 520 824**	**—**
Total Human Settlements Foundation	**2 264 938**	**(1 499 174)**	**760 764**	**83 227 116**	**139 128**	**10 000**	**81 575 932**	**1 795 402**
Water and Sanitation trust fund								
Coca Cola India Pvt Ltd.	—	—	—	98 751	—	—	98 751	—
Google Inc.	—	—	—	1 500 000	—	—	1 500 000	—
Bentley University	—	—	—	10 836	—	—	10 836	—
Bottlers Nepal Limited	—	—	—	5 000	—	—	5 000	—
FHK	—	—	—	50 000	—	—	50 000	—
Italy	—	—	—	355 000	—	—	355 000	—
Netherlands	—	—	—	7 016 438	—	—	7 016 438	—
Norway	—	1 495 744	1 495 744	5 171 633	—	—	5 171 633	—
Oxiana Limited/ Lane Xang Minerals	—	—	—	208 000	—	—	208 000	—
Poland	—	3 000	3 000	—	—	—	—	—
Spain	—	—	—	24 651 884	—	—	24 651 884	—
Total Water and Sanitation trust fund	**—**	**1 498 744**	**1 498 744**	**39 067 542**	**—**	**—**	**39 067 542**	**—**
Palestinian trust fund								
Bahrain	—	—	—	250 000	—	—	250 000	—
Saudi Arabia	—	—	—	1 996 977	—	—	1 996 977	—
Total Palestinian trust fund	**—**	**—**	**—**	**2 246 977**	**—**	**—**	**2 246 977**	**—**

Country/organization	*Unpaid pledges as at 1 January 2008*	*Prior-biennium adjustments*	*Collections of prior-biennium pledges*	*Pledges for 2008-2009*	*Revaluations*	*Collections for future years*	*Collections of current-biennium pledges*	*Unpaid pledges*
Experimental Reimbursable Seeding Operations trust fund								
Bahrain	—	—	—	500 000	—	—	500 000	—
The Rockefeller Foundation	—	—	—	250 000	—	—	250 000	—
Total Experimental Reimbursable Seeding Operations trust fund	—	—	—	**750 000**	—	—	**750 000**	—
Total foundation activities	**2 264 938**	**(430)**	**2 259 508**	**125 291 635**	**139 218**	**10 000**	**123 640 451**	**1 795 402**
				Statement IV		**Statement V**		**Statement V**

Ageing of contributions receivable

Categories	*Less than six months*	*Six months to one year*	*More than one year*	*More than two years*	*Total*
Governments	1 782 902	7 500	—	5 000	1 795 402
Total	**1 782 902**	**7 500**	—	**5 000**	**1 795 402**
					Statement V

Statement VI
Technical cooperation activities: income and expenditure and changes in reserves and fund balances

United Nations Human Settlements Programme
(Thousands of United States dollars)

	Reference	Trust funds	United Nations Development Programme	Programme support	All funds eliminations	Total 2009	Total 2007
Income							
Voluntary contributions	Schedule 7.2	171 725	1 282	—	—	173 007	121 622
Funds received under inter-organizational arrangements	Note 2 (k) (ii) and 2 (s) (iii)	—	2 368	—	—	2 368	18 950
Income for services rendered		—	—	11 729	(11 529)	200	130
Interest income		3 220	—	383	—	3 603	5 384
Other/miscellaneous	Note 3	—	—	31	—	31	121
Total income		**174 945**	**3 650**	**12 143**	**(11 529)**	**179 209**	**146 207**
Total expenditure	Schedule 7.1	157 577	2 501	12 068	(11 529)	160 617	155 793
Excess/(shortfall) of income over expenditure		**17 368**	**1 149**	**75**	**—**	**18 592**	(9 586)
Prior-period adjustments	Note 4	1 050	(1 378)	220	—	(108)	177
Net excess/(shortfall) of income over expenditure		**18 418**	**(229)**	**295**	**—**	**18 484**	**(9 409)**
Savings on prior-period obligations	Note 2 (k) (viii)	652	229	192	—	1 073	224
Transfers to reserves	Note 2 (o) and 2 (p)	(7 794)	—	—	—	(7 794)	—
Credits to member States (donors)	Note 5	(300)	—	—	—	(300)	(859)
Fund balances, beginning of period		30 145	—	6 278	—	36 423	46 467
Fund balances, end of period		41 121	—	6 765	—	47 886	36 423
Reserves, beginning of period		—	—	1 802	—	1 802	1 802
Transfers to reserves	Note 2 (o) and 2 (p)	7 794	—	—	—	7 794	—
Reserves, end of period		7 794	—	1 802	—	9 596	1 802
Total reserves and fund balances		**48 915**	**—**	**8 567**	**—**	**57 482**	**38 225**

Statement VII
Technical cooperation activities: assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Reference	*Trust funds*	*United Nations Development Programme*	*Programme support costs*	*All funds eliminations*	*Total*	
						2009	*2007*
Assets							
Cash and term deposits	Note 6	960	—	—	—	960	977
Cash pool	Note 6	64 327	—	7 450	—	71 777	42 650
Accounts receivable:							
Inter-fund balances	Note 7	8 873	38	1 152	—	10 063	51 979
Other	Note 8	1 274	198	103	—	1 575	2 349
Balances relating to projects funded by donors	Note 9	—	7 672	—	—	7 672	11 220
Other assets	Note 10	195	—	55	—	250	510
Total assets		**75 629**	**7 908**	**8 760**	—	**92 297**	**109 685**
Liabilities							
Unliquidated obligations	Note 11	25 431	1 592	158	—	27 181	26 109
Accounts payable:							
Inter-fund balances	Note 7	669	4 081	—	—	4 750	41 825
Other	Note 12	614	2 235	35	—	2 884	3 526
Total liabilities		**26 714**	**7 908**	**193**	—	**34 815**	**71 460**
Reserves and fund balances							
Reserves	Notes 2 (o), (p) and 14	7 794	—	1 802	—	9 596	1 802
Fund balance	Notes 2 (q) and 14	41 121	—	6 765	—	47 886	36 423
Total reserves and fund balances		**48 915**	—	**8 567**	—	**57 482**	**38 225**
Total liabilities, reserves and fund balances		**75 629**	**7 908**	**8 760**	—	**92 297**	**109 685**

Schedule 7.1
Status of allocations

United Nations Human Settlements Programme

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total expenditure*	*Unencumbered balance*
Trust funds					
Staff and other personnel costs	63 514	10 216	45 271	55 487	8 027
Contractual services	50 318	18 553	17 863	36 416	13 902
Travel	5 111	778	3 006	3 784	1 327
Operating expenses	31 971	6 037	18 403	24 440	7 531
Acquisitions	9 092	2 248	4 391	6 639	2 453
Fellowships, grants and contributions	22 369	2 979	16 762	19 741	2 628
Programme support costs	13 780	—	11 070	11 070	2 710
Subtotal	**196 155**	**40 811**	**116 766**	**157 577**	**38 578**
United Nations Development Programme					
Staff and other personnel costs	2 125	163	1 325	1 488	637
Contractual services	541	16	51	67	474
Travel	387	33	253	286	101
Operating expenses	222	53	32	85	137
Acquisitions	303	59	45	104	199
Fellowships, grants and contributions	265	224	30	254	11
Programme support costs	365	—	217	217	148
Subtotal	**4 208**	**548**	**1 953**	**2 501**	**1 707**
Programme support					
Staff and other personnel costs	10 039	54	9 329	9 383	656
Contractual services	445	73	302	375	70
Travel	236	4	180	184	52
Operating expenses	2 047	5	2 030	2 035	12
Acquisitions	111	22	69	91	20
Subtotal	**12 878**	**158**	**11 910**	**12 068**	**810**
Total	**213 241**	**41 517**	**130 629**	**172 146**	**41 095**

Less: Elimination of programme support costs:	(11 529)
Net total expenditure	**160 617**
	Statement VI

Schedule 7.2
Status of contributions

United Nations Human Settlements Programme

(United States dollars)

Country/organization	*2009*	*2007*
Trust fund		
Governments		
Afghanistan	1 587 267	4 641 812
Canada	—	5 991 072
Colombia	146 732	—
Cyprus	341 999	—
Egypt	3 142 161	2 442 217
Finland	592 482	275 059
France	15 251	—
Iran (Islamic Republic of)	500 000	—
Iraq	—	385 073
Italy	2 054 636	2 296 502
Japan	25 048 308	150 000
Kenya	62 177	—
Libyan Arab Jamahiriya	—	3 576 085
Luxembourg	—	32 548
Mexico	948 334	596 183
Morocco	662 835	148 148
Netherlands	679 341	405 924
Norway	1 072 356	—
Nigeria	682 932	408 086
Republic of Korea	3 000	7 500
Spain	2 705 473	1 301 925
Sweden	2 021 137	4 867 857
Switzerland	—	826 569
Turkey	—	100 000
United Kingdom of Great Britain and Northern Ireland	5 208 301	1 886 137
United States of America	3 623 835	381 224
Total Governments	**51 098 557**	**30 719 921**
Government organizations		
Asian Development Bank	6 824 733	3 679 957
Canadian International Development Agency	13 723 886	3 272 700
Council of Europe Development Bank	239 328	—
Cyprus Aid	—	341 999
Department for International Development	10 059 874	727 740

Country/organization	*2009*	*2007*
Department of the Interior and Local Government — Philippines	34 000	—
Economic and Social Commission for Western Asia	—	109 969
European Union	10 413 851	12 762 095
African Union	50 000	—
Irish Aid	288 600	—
United Nations Economic Commission for Asia and the Pacific	75 000	—
International Bank for Reconstruction and Development/World Bank	4 833 849	9 464 215
International Fund for Agricultural Development headquarters — Italy	660 000	—
International Finance Corporation	29 313	34 500
International Fund for Agricultural Development — Kenya	660 000	—
International Organization for Migration — Switzerland	—	45 000
Norwegian People's Aid	1 249 975	1 249 975
Swedish International Development Cooperation Agency	4 700 659	4 212 508
Office for the Coordination of Humanitarian Affairs — Somalia	233 440	150 000
Office of the United Nations High Commissioner for Refugees	1 820 568	869 157
United Nations Development Group, Iraq trust fund	14 868 394	21 414 024
United Nations Population Fund — United States of America	—	9 970
United Nations Assistance Mission in Afghanistan	159 044	356 825
United Nations Children's Fund	1 774 253	1 661 190
United Nations Development Programme	25 252 358	16 593 651
United Nations Children's Fund — Somalia country office	205 970	—
United Nations Environment Programme	20 000	64 000
United Nations General trust fund	4 231 017	1 780 293
United States Agency for International Development	10 257 830	256 990
World Food Programme	162 694	—
Total Government organizations	**112 828 636**	**79 056 758**
Public donors		
Armenian National Committee of Canada — Western Region	—	4 985
Australian Red Cross	—	324 248
BASF Aktiengesellschaft	1 323 055	—
City of Munich	335 394	670 878
Educational Development Center	—	2 886 305
Gobierno del Estado de Veracruz	183 673	—
International Development Research Centre	1 618	43 363
International Federation of Red Cross and Red Crescent Societies	2 040 141	1 000 000
Art Consultancy Agency Riegelsberger	7 590	—
Instituto de Promoción y Apoyo al Desarrollo	88 647	—
Japan Habitat Association	—	16 500
Rotary	50 000	—

Country/organization	*2009*	*2007*
Organizzazione Overseas — onlus	56 000	—
Japan Platform	56 650	—
Katahira and Engineers International	1 739 106	1 379 602
Knorr Bremse Global Care	99 441	232 036
Salvation Army — Sri Lanka	967 697	—
Sagittarius Mines, Inc.	20 833	—
Stability Pact for South-Eastern Europe	—	199 234
United Arab Emirates Red Crescent	821 722	3 718 658
UNA Nairobi regional office	—	10 965
VARA Broadcasting Corporation — Netherlands	6 326	—
World Jewish Relief	—	96 965
Total public contributions	**7 797 893**	**10 583 739**
Total trust fund contributions	**171 725 086**	**120 360 418**
United Nations Development Programme-funded projects	**1 282 373**	**1 262 415**
Total contributions	**173 007 459**	**121 622 833**

Statement VI

Statement VIII
End-of-service and post-retirement benefits: income and expenditure and changes in reserves and fund balances, and assets, liabilities, reserves and fund balances

United Nations Human Settlements Programme
(Thousands of United States dollars)

	Reference	*After-service health insurance*	*Unused vacation days*	*Repatriation benefits*	*Total* 2009	*Total* 2007
Total income		—	—	—	—	—
Total expenditure		—	—	—	—	—
Excess/(shortfall) of income over expenditure		—	—	—	—	—
Non-budgeted accrued expenses		(836)	922	—	86	(8 076)
Prior-period adjustments		—	—	—	—	388
Net excess/(shortfall) of income over expenditure		**(836)**	**922**	**—**	**86**	**(7 688)**
Transfer from reserves		—	—	221	221	—
Fund balances, beginning of period		(7 341)	(2 890)	(221)	(10 452)	(2 764)
Fund balances, end of period		(8 177)	(1 968)	—	(10 145)	(10 452)
Transfers to reserves		—	—	2	2	—
Reserves, end of period		—	—	2	2	—
Total reserves and fund balances		**(8 177)**	**(1 968)**	**2**	**(10 143)**	**(10 452)**

Statement of assets, liabilities, reserves and fund balances as at 31 December 2009

Assets						
Inter-fund balances	Note 7	—	—	2 706	2 706	1 768
Total assets		**—**	**—**	**2 706**	**2 706**	**1 768**
Liabilities						
End-of-service and post-retirement benefits	Note 13	8 177	1 968	2 704	12 849	12 220
Total liabilities		**8 177**	**1 968**	**2 704**	**12 849**	**12 220**
Reserves and fund balances						
Reserves		—	—	2	2	—
Fund balance	Notes 2 (q) and 14	(8 177)	(1 968)	—	(10 145)	(10 452)
Total reserves and fund balances		**(8 177)**	**(1 968)**	**2**	**(10 143)**	**(10 452)**
Total liabilities, reserves and fund balances		**—**	**—**	**2 706**	**2 706**	**1 768**

Notes to the financial statements

Note 1
United Nations Human Settlements Programme and its objectives

(a) On 16 December 1974, the General Assembly adopted resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

(b) On 19 December 1977, the General Assembly adopted resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and the Commission on Human Settlements.

(c) On 21 December 2001, the General Assembly adopted resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the General Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme should be responsible for the management of the United Nations Habitat and Human Settlements Foundation.

(d) The main objectives of the Programme are:

(i) To improve the shelter conditions of the world's poor and to ensure sustainable human settlements development;

(ii) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg Plan of Implementation on slums, safe drinking water and sanitation;

(iii) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes and to develop related capacities, primarily at the national and local levels;

(iv) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations Human Settlements Programme (UN-Habitat) are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, including the special annex of the financial rules of UN-Habitat, and specific decisions of the Governing Council. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative

Committee on Coordination. The Administrative Committee on Coordination has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The Organization follows International Public Sector Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by CEB as set out below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial biennium;

(vi) A change in an accounting policy that has a material effect in the current biennium or may have a material effect in subsequent bienniums should be disclosed, together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or group of funds of the same nature.

(c) The financial period of the Organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For voluntary contribution income, the policy in paragraph (k) (i) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions, at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial biennium, a footnote will be presented quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flow, as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are prepared in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the Organization's operations presented in statements I, II and III are combined by type of fund after the elimination of all instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Under General Assembly resolution 32/162, the regular budget of the United Nations meets part of the costs of the secretariat of the United Nations Human Settlements Programme. Details of the expenditure may be found in the financial report and audited financial statements of the United Nations. For transparency, however, note 16 shows the status of the current period allocations from the regular budget given to UN-Habitat.

(k) Income:

(i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial biennium. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent moneys appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(v) Interest income includes all interest earned on deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to the participating funds;

(vi) Miscellaneous income includes the sale of used or surplus property, refunds of expenditure charged to prior bienniums, income from net gains resulting from currency translations, settlements of insurance claims, moneys accepted for which no purpose was specified and other sundry income;

(vii) Income relating to future financial bienniums is not recognized in the current financial biennium and is recorded as payments or contributions received in advance, as referred to in item (n) (iii);

(viii) Savings from the liquidation of the obligations of prior bienniums relating to programme costs are credited directly to the fund balances. Savings relating to project costs are credited to the project.

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial bienniums is not charged to the current financial biennium and is recorded as deferred charges, as referred to in item m (iv) and (vi) below.

(m) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. If the market value of the short-term investments is lower than the book value, the book value is adjusted accordingly (see also note 6);

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in these pools. The investments in the cash pools are similar in nature and are accounted for as stated in item (m) (ii) above. Share in the cash pools is reported separately in each of the participating funds' statements, and its composition and the market value of its investments are disclosed in note 6;

(iv) Deferred charges comprise expenditure items that are not properly chargeable to the current financial biennium. They will be charged as expenditure in a subsequent biennium. These expenditure items include commitments approved by the Controller for future financial bienniums in accordance with financial rule 106.7. Such commitments are restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Interfund balances reflect transactions between funds, and are included in the amounts due to and from the technical cooperation funds, trust funds, other special accounts, the United Nations General Fund and other United Nations funds, which are normally settled periodically dependent upon availability of cash resources;

(vi) For the purpose of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in note 15 to the financial statements.

(n) Liabilities and reserves and fund balances:

(i) Operating and other types of reserves are included in the "Reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future bienniums or payments or contributions received in advance and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial bienniums are shown as unliquidated obligations. Current biennium obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations to funds of a multi-year nature remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, unused vacation days and repatriation benefits. Previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for unused vacation days and repatriation benefits were recorded based on accrued amounts without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The actuarial valuations have been undertaken by an independent, qualified actuarial firm. This change in accounting policy is made to achieve a more appropriate presentation of the financial statements in accordance with paragraph 18 of the United Nations system accounting standards (see note 13).

(o) Financial reserve: as stated in rule 304.3.2 (b) of the financial rules of the Foundation, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Foundation, to compensate for uneven cash flows and

to meet such other similar requirements as may be decided upon by the Governing Council.

(p) Operational reserve: with regard to the programme support costs account, and as stated in administrative instruction ST/AI/286, an operational reserve of 20 per cent of the estimated annual programme support income is required to be held in a separate account at all times. This reserve is to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources.

(q) Earmarked fund balance: funds designated for specified project activities are not available for the non-earmarked project and programme expenditure of the Foundation.

(r) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the personnel financed from trust funds and the Foundation has been made and is calculated on the basis of 1 per cent of net base salary.

(s) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by voluntary contributions, funds received under inter-organizational arrangements from the United Nations Development Programme (UNDP) and other sources;

(ii) Effective 1 January 2002, voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;

(iii) The allocation of funds received under inter-organizational arrangements from UNDP is determined by taking into account interest and other miscellaneous income against total expenditure;

(iv) Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(v) Unliquidated obligations for the current biennium in respect of all technical cooperation activities remain valid for 12 months following the end of the calendar year, rather than the biennium, to which they relate. In accordance with UNDP reporting requirements, however, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings from liquidation or cancellation of prior-biennium obligations are credited to individual projects as a reduction of the current biennium expenditure in accordance with UNDP reporting requirements;

(vi) Distribution of interest income for trust funds is calculated at the end of the year using the percentage participation of each fund based on the monthly average fund balance.

(t) UN-Habitat is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. An actuarial valuation of Pension Fund assets and pension

benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UN-Habitat is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined-contribution plan. Thus, the share of the related net liability/asset position of the Pension Fund pertaining to UN-Habitat is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the Organization, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the regulations of the Pension Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statements, the Assembly had not invoked this provision.

Note 3
Other/miscellaneous income

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2009*	*Total 2007*
Gain on currency exchange transactions	427	31	—	458	120
Sale of used property	—	—	—	—	14
Refunds of expenditures charged to prior periods	—	—	—	—	108
Other sundry income	—	—	—	—	6
Total	**427**	**31**	**—**	**458**	**248**

Note 4
Prior-period adjustments

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2009*	*Total 2007*
Adjustments to prior-period expenditure	(830)	(108)	—	(938)	(41)
Adjustments to prior-period pledges	—	—	—	—	4
Adjustments to prior-period programme support	654	—	—	654	180
Adjustments to prior-period end-of-service and post-retirement benefits	—	—	—	—	388
Write-offs	(2)	—	—	(2)	(28)
Total	**(178)**	**(108)**	**—**	**(286)**	**503**

Note 5
Credits to member States and other donors

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2009*	*Total 2007*
Australian Red Cross	—	(102)	—	(102)	—
Bundesanstalt für Arbeit Zentralstelle für Arbeitsvermittlung	—	—	—	—	(49)
International Bank for Reconstruction and Development/World Bank	—	—	—	—	(44)
United Nations trust fund	(46)	—	—	(46)	—
Ministerie van Buitenlandse Zaken	—	(118)	—	(118)	—
Netherlands	(33)	—	—	(33)	(7)
Netherlands Embassy in Washington, D.C.	—	—	—	—	(31)
United Nations Development Group, Iraq trust fund, Bureau for Resources and Strategic Partnerships/UNDP	—	(80)	—	(80)	(633)
Office of the United Nations High Commissioner for Refugees	—	—	—	—	(7)
United States Agency for International Development	—	—	—	—	(173)
Total	**(79)**	**(300)**	**—**	**(379)**	**(944)**

Note 6
Convertible and non-convertible cash and term deposits and cash pool as at 31 December 2009

(Thousands of United States dollars)

		United Nations cash pools			
	Reference	*United States dollars*	*Euros*	*Total*	*Cash and term deposits*
Foundation activities					
United States dollars[a,b]		132 214	3 735	135 949	774
Indian rupees[c]		—	—	—	154
Total	**Statement V**	**132 214**	**3 735**	**135 949**	**928**
Represented by:					
Cash and term deposits		44 345	3 732	48 077	928
Short-term investments at lower of cost or market value		34 208	—	34 208	—
Long-term investments		52 957	—	52 957	—
Accrued interest		704	3	707	—
Total		**132 214**	**3 735**	**135 949**	**928**

	Reference	United Nations cash pools			
		United States dollars	Euros	Total	Cash and term deposits
Technical cooperation activities					
United States dollars[a,b]	Statement VII	71 777	—	71 777	960
Represented by:					
Cash and term deposits		24 075	—	24 075	960
Short-term investments at lower of cost or market value		18 570	—	18 570	—
Long-term investments		28 750	—	28 750	—
Accrued interest		382	—	382	—
Total		**71 777**	**—**	**71 777**	**960**
Total Foundation and technical cooperation activities[d]	**Statement II**	**203 991**	**3 735**	**207 726**	**1 888**

[a] All investments for offices away from Headquarters are placed in joint investment pools. The Treasury of the United Nations Secretariat is solely responsible for the investment policy, and participating offices are responsible only for their own cash flow and liquidity planning. The Treasury invests in different securities, with varying due dates and interest rates. Therefore, it is not practical to indicate due dates and interest rates relating to the investment pools.

[b] When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. Long-term investments are reported at book value.

[c] The exchange rate used is 46.43 Indian rupees to the dollar. In local currency amount, Indian rupees totalled 7,161,464 at the end of the period.

[d] The euro cash pool comprises cash and term deposits of €2,586,473 and accrued interest receivable of €1,626. The United Nations operational exchange rate as at 31 December 2009 was 0.693 euros to the dollar.

Note 7
Inter-fund balances

(Thousands of United States dollars)

	Foundation activities	Technical cooperation activities	End-of-service and post-retirement benefits	Total 2009	Total 2007
Inter-fund balances receivable	14 817	10 063	2 706	27 586	73 015
Inter-fund balances payable	(23 415)	(4 750)	—	(28 165)	(73 370)
Net inter-fund receivable/(payable)	(8 598)	5 313	2 706	(579)	(355)
Net inter-fund payable to the United Nations Office at Nairobi				(579)	(355)
Net inter-fund payable				**(579)**	**(355)**

The inter-fund accounts reflect transactions between the Foundation and technical cooperation activities, the United Nations General Fund and other funds that are settled periodically. In conformity with United Nations Secretariat reporting requirements, inter-fund balances are no longer being netted off and eliminated. The 2007 inter-fund balances have been restated accordingly.

Note 8
Other accounts receivable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2009*	*Total 2007*
Staff members	867	194	1 061	725
United Nations agencies/entities	185	1 279	1 464	2 895
Vendors	77	6	83	26
Others	179	96	275	88
Total	**1 308**	**1 575**	**2 883**	**3 734**
Ageing of accounts:				
Less than six months	1 108	930	2 038	2 792
Six months to one year	69	389	458	325
More than one year	65	1	66	473
More than two years	66	255	321	144
Total	**1 308**	**1 575**	**2 883**	**3 734**

Note 9
Balances relating to projects funded by donors

The amount of $7.7 million shown in statement II as "Balances relating to projects funded by donors" represents an amount receivable from UNDP, in accordance with existing arrangements, of which $1.6 million relates to unliquidated obligations.

Note 10
Other assets

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2009*	*Total 2007*
Education grant advances	224	72	296	204
Commitments against future years	—	—	—	1 468
Other	12	178	190	127
Total	**236**	**250**	**486**	**1 799**

Note 11
Unliquidated obligations

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*Total 2009*	*Total 2007*
Prior periods	4 040	1 997	6 037	4 419
Current period	39 998	25 184	65 182	52 992
Future periods	—	—	—	1 468
Total	**44 038**	**27 181**	**71 219**	**58 879**

Note 12
Other accounts payable

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*2009*	*2007*
Governments	134	13	147	377
Staff members	244	265	509	272
Vendors	362	170	532	974
United Nations agencies/entities	390	2 422	2 812	3 079
Others	152	14	166	255
Total	**1 282**	**2 884**	**4 166**	**4 957**

Note 13
End-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, commutation of unused vacation days and repatriation benefits. As disclosed in note 2 (n) (vi), with effect from the biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation;

(b) After-service health insurance:

(i) Upon separation from service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and five years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years, for United States medical plans, and 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years, for medical plans outside of the United States; and retirement, withdrawal and mortality assumptions

consistent with those used by the Pension Fund in making its own actuarial valuation. In addition, commencing with the 31 December 2009 valuation, contributions by all plan participants are taken into consideration in determining the Organization's residual liability, whereas previously only contributions from retirees were taken into consideration;

(iii) On the basis of these assumptions, the present value of the accrued liability as at 31 December 2009 was estimated at $8,177,000 ($13,962,000 less contributions from plan participants of $5,785,000);

(iv) Further to the assumptions in (b) (ii) above, it is estimated that the present value of the liability would increase by 18 per cent or decrease by 14 per cent if medical trend costs were increased or decreased by 1 per cent, respectively, with all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 19 per cent and decrease by 15 per cent if the discount rate were decreased or increased by 1 per cent, respectively, with all other assumptions held constant;

(c) Unused vacation days:

(i) Upon separation from service, staff members may commute unused vacation days up to a maximum of 60 working days for those holding fixed-term or continuing appointments. This benefit is referred to as annual leave benefits;

(ii) In order to present more appropriately the financial dimensions of the Organization's liabilities for unused vacation days payable to eligible staff at the end of service, a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were directly calculated based on amounts accrued as at the reporting date without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent, based on the age and category of staff members;

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $1,968,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former cost methodology been continued, the liability would have been $4,027,000. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $2,059,000;

(d) Repatriation benefits:

(i) Upon separation from service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the

time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) In order to present more appropriately the financial dimensions of the Organization's liabilities for repatriation benefits, a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were directly calculated based on amounts accrued as at the reporting date without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, annual salary increases ranging from 10.6 per cent to 5.5 per cent based on the age and category of staff members and travel cost increases of 4.0 per cent per annum;

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $2,704,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively owing to impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former cost methodology been continued, the liability would have been $4,387,000. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $1,683,000.

End-of-service and post-retirement benefits for UN-Habitat as at 31 December 2009

(Thousands of United States dollars)

	Total 2009	*Total 2007*
After-service health insurance	8 177	7 341
Unused vacation days	1 968	2 890
Repatriation benefits	2 704	1 989
Total	**12 849**	**12 220**
Less provision already made	(2 706)	(1 768)
Net liability not funded	**10 143**	**10 452**

Note 14
Reserves and fund balances

(Thousands of United States dollars)

	Foundation activities	*Technical cooperation activities*	*End-of-service and post-retirement benefits*	*Total 2009*	*Total 2007*
Financial reserve	6 944	7 794	—	14 738	2 419
Operating reserves	972	1 802	—	2 774	2 567
Other reserves[a]	—	—	2	2	—
Total reserves	**7 916**	**9 596**	**2**	**17 514**	**4 986**
Loan fund balance	3 000	—	—	3 000	—
Earmarked fund balance	40 424	41 122	—	81 546	89 273
Cumulative surplus/(deficit)	34 948	6 764	(10 145)	31 567	22 497
Total fund balances	**78 372**	**47 886**	**(10 145)**	**116 113**	**111 770**
Total reserves and fund balances	**86 288**	**57 482**	**(10 143)**	**133 627**	**116 756**

[a] Other reserves represents excess collected repatriation benefit funds over the liability as per the actuarial valuation.

Note 15
Non-expendable property

(Thousands of United States dollars)

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against current appropriations when acquired.

	2009	*2007*
	(Thousands of United States dollars)	
Computer equipment	979	2 974
Office equipment	11	486
Radio and telecommunications equipment	23	159
Audio-visual/photographic equipment	49	176
Transportation equipment	189	232
Furniture	610	368
Maintenance equipment	—	12
Document and reproduction equipment	156	25
Regional and outposted offices	566	5 969
Projects	7 012	—
Total	**9 595**	**10 401**

	2009	*2007*
	(Thousands of United States dollars)	
Summary		
Opening balance	10 401	5 654
Acquisitions	1 986	2 272
Disposals		
Write-offs	(31)	(29)
Sales	—	(56)
Donations	(1 102)	(6)
Transfers to other offices/missions	—	(238)
Other	(60)	—
Prior-period adjustments[a]	(1 599)	2 804
Closing balance	**9 595**	**10 401**

[a] Database inventory adjusted to physical count at 31 December 2009.

Note 16
Status of regular budget fund allocations (exclusive of staff assessment) as at 31 December 2009

(Thousands of United States dollars)

	Allocation	*Unliquidated obligations*	*Disbursements*	*Total 2009*	*Total 2007*
United Nations General Fund					
Staff and other personnel costs	20 323	80	20 713	20 793	17 662
Operating expenses	2 122	167	1 939	2 106	2 939
Subtotal	**22 445**	**247**	**22 652**	**22 899**	**20 601**
Special Account for Supplementary Development Activities					
Staff and other personnel costs	70	62	8	70	102
Contractual services	948	407	226	633	3
Travel	168	39	78	117	—
Operating expenses	62	15	7	22	—
Fellowships, grants and contributions	602	181	77	258	194
Subtotal	**1 850**	**704**	**396**	**1 100**	**299**
Total	**24 295**	**951**	**23 048**	**23 999**	**20 900**

Note 17
Experimental Reimbursable Seeding Operations trust fund

The Experimental Reimbursable Seeding Operations trust fund was established pursuant to Governing Council resolution 21/10 of 20 April 2007, as part of the United Nations and Human Settlements Foundation:

(i) To field-test experimental reimbursable seeding operations and other innovative operations for financing for the urban poor for housing, infrastructure and upgrading through community groups, including where there was an expectation of repayments mobilizing capital at the local level;

(ii) To strengthen the capacity of local financial and development actors to carry out those operations and to support the capacity of UN-Habitat to enhance those operations.

An amount of $3,000,000 has been allocated for reimbursable seeding operations under the Loan Fund account.